

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

COMMISSION FILE NUMBER 1-11151

**U.S. PHYSICAL THERAPY, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA  
(STATE OR OTHER JURISDICTION OF INCORPORATION  
OR ORGANIZATION)

76-0364866  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

1300 WEST SAM HOUSTON PARKWAY SOUTH,  
SUITE 300,  
HOUSTON, TEXAS  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77042  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 297-7000  
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE EXCHANGE ACT:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$.01 par value	USPH	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE EXCHANGE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes  No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the shares of the registrant's common stock held by non-affiliates of the registrant at June 30, 2024 was \$795.4 million based on the closing sale price reported on the NYSE for the registrant's common stock on June 30, 2024, the last business day of the registrant's most recently completed second fiscal quarter. For the purposes of this computation, all executive officers, directors and 5% or greater beneficial owners of the registrant were deemed to be affiliates. Such determination should not be deemed an admission that such executive officers, directors and beneficial owners are, in fact, affiliates of the registrant.

As of March 3, 2025, the number of shares outstanding of the registrant's common stock, par value \$.01 per share, was 15,191,689.

DOCUMENTS INCORPORATED BY REFERENCE

<u>DOCUMENT</u>	<u>PART OF FORM 10-K</u>
Portions of Definitive Proxy Statement for the 2024 Annual Meeting of Shareholders	Part III

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## FORWARD-LOOKING STATEMENTS

We make statements in this report that are considered forward-looking statements within the meaning given such term under Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we project. Included among such statements, but not limited to, are those relating to opening clinics, availability of personnel and the insurance reimbursement environment. The forward-looking statements are based on our current views and assumptions, and actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to:

- changes in Medicare rules and guidelines and reimbursement or failure of our clinics to maintain their Medicare certification and/or enrollment status;
- revenue we receive from Medicare and Medicaid being subject to potential retroactive reduction;
- changes in reimbursement rates or payment methods from third party payors including government agencies, and changes in the deductibles and co-pays owed by patients;
- private third-party payors for our services may adopt payment policies that could limit our future revenue and profitability;
- compliance with federal and state laws and regulations relating to the privacy of individually identifiable patient information, and associated fines and penalties for failure to comply;
- compliance with state laws and regulations relating to the corporate practice of medicine and fee splitting, and associated fines and penalties for failure to comply ;
- competitive, economic or reimbursement conditions in our markets which may require us to reorganize or close certain clinics and thereby incur losses and/or closure costs including the possible write-down or write-off of goodwill and other intangible assets;
- the impact of future public health crises and epidemics/pandemics, such as was the case with the novel strain of COVID-19 and its variants;
- certain of our acquisition agreements contain put-rights related to a future purchase of significant equity interests in our subsidiaries or in a separate company;
- the impact of future vaccinations and/or testing mandates at the federal, state and/or local level, which could have an adverse impact on staffing, revenue, costs and the results of operations;
- our debt and financial obligations could adversely affect our financial condition, our ability to obtain future financing and our ability to operate our business;
- changes as the result of government enacted national healthcare reform;
- the ability to control variable interest entities for which we do not have a direct ownership;
- business and regulatory conditions including federal and state regulations;
- governmental and other third party payor inspections, reviews, investigations and audits, which may result in sanctions or reputational harm and increased costs;
- revenue and earnings expectations;
- contingent consideration provisions in certain our acquisition agreements, the value of which may impact future financial results;
- legal actions, which could subject us to increased operating costs and uninsured liabilities;
- general economic conditions, including but not limited to inflationary and recessionary periods;
- actual or perceived events involving banking volatility or limited liability, defaults or other adverse developments that affect the U.S or the international financial systems, may result in market wide liquidity problems which could have a material and adverse impact on our available cash and results of operations;
- our business depends on hiring, training, and retaining qualified employees;
- availability and cost of qualified physical therapists;
- competitive environment in the industrial injury prevention services business, which could result in the termination or non-renewal of contractual service arrangements and other adverse financial consequences for that service line;
- our ability to identify and complete acquisitions, and the successful integration of the operations of the acquired businesses;

- impact on the business and cash reserves resulting from retirement or resignation of key partners and resulting purchase of their non-controlling interest (minority interests);
- maintaining our information technology systems with adequate safeguards to protect against cyber-attacks;
- a security breach of our or our third party vendors' information technology systems may subject us to potential legal action and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 or the Health Information Technology for Economic and Clinical Health Act;
- maintaining clients for which we perform management, industrial injury prevention related services, and other services, as a breach or termination of those contractual arrangements by such clients could cause operating results to be less than expected;
- maintaining adequate internal controls;
- maintaining necessary insurance coverage;
- availability, terms, and use of capital; and
- weather and other seasonal factors.

Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see the other sections of this report and our other periodic reports filed with the Securities and Exchange Commission (the "SEC") for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement may no longer be accurate.

## PART I

## ITEM 1. BUSINESS

## GENERAL

U.S. Physical Therapy, Inc. and subsidiaries (collectively, “we”, “us”, “our” or the “Company”), operates its business through two reportable business segments. Our reportable segments consist of the physical therapy operations segment and the industrial injury prevention services (“IIP”) segment. Through our subsidiaries, we operate and/or manage outpatient physical therapy clinics that provide pre-and post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurological-related injuries and rehabilitation of injured workers. We also have a majority interest in businesses which are leading providers of industrial injury prevention services. Services provided in this business include onsite injury prevention and rehabilitation, performance optimization, post-offer employment testing, functional capacity evaluations and ergonomic assessments. The majority of the IIP services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. These services are performed through Industrial Sports Medicine Professionals, consisting primarily of specialized certified athletic trainers.

We were re-incorporated in April 1992 under the laws of the State of Nevada and have operating subsidiaries organized in various states in the form of limited partnerships, limited liability companies and wholly-owned corporations. This description of our business should be read in conjunction with our financial statements and the related notes contained in Item 8 in this Annual Report on Form 10-K.

Our principal executive offices are located at 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042. Our telephone number is (713) 297-7000. Our website is [www.usph.com](http://www.usph.com).

*Acquisitions of Businesses and Interests*

During the last three years, we completed the acquisitions of the following clinic practices and IIP businesses detailed below:

Acquisition	Date	% Interest Acquired	Number of Clinics
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9
October 2023 Acquisition	October 31, 2023	***	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1
November 2022 Acquisition	November 30, 2022	80%	13
October 2022 Acquisition	October 31, 2022	60%	14
September 2022 Acquisition	September 30, 2022	80%	2
August 2022 Acquisition	August 31, 2022	70%	6
March 2022 Acquisition	March 31, 2022	70%	6

\* IIP business

\*\* On April 30, 2024, one of our primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.

\*\*\* On October 31, 2023, we concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business (“October 2023 Acquisition”).

Besides the multi-clinic acquisitions referenced in the table above, during 2024 and 2023, we purchased the assets and businesses of eight and nine physical therapy clinics, respectively, in separate transactions.

Our strategy is to continue acquiring outpatient physical therapy practices, develop outpatient physical therapy clinics as satellites in existing partnerships, manage outpatient physical therapy clinics owned by third parties, and continue acquiring companies that provide or serve the Company's industrial injury prevention services sector.

On May 30, 2023, we completed a secondary offering of 1,916,667 shares of its common stock at an offering price of \$90.00 per share. Upon completion of the offering, we received net proceeds of approximately \$163.6 million, after deducting an underwriting discount of \$8.6 million and recognizing related fees and expenses of \$0.2 million. A portion of the net proceeds was used to repay the \$35.0 million then outstanding under our credit facility while the remainder was used primarily for additional acquisitions.

## OUR OPERATING SEGMENTS

### Physical Therapy Operations

Our physical therapy operations segment primarily operates through subsidiary clinic partnerships ("Clinic Partnerships"), in which we generally serve as the general partner or managing member of the Clinic Partnerships. Our equity interests generally range from 65% to 75% (a range of 10%-99%) in the Clinic Partnerships. For the vast majority of the Clinic Partnerships, the managing healthcare practitioner is a physical therapist who owns the remaining limited partnership interest in the Clinic Partnership. Generally, the therapist partners have no interest in the net losses of Clinic Partnerships, except to the extent of their capital accounts. Since we also develop satellite clinic facilities of existing clinics, most Clinic Partnerships consist of more than one clinic location. Some of the Clinic Partnerships serve as management services organizations which manage and provide staffing and a variety of administrative services to physical therapy provider entities in which we do not have an ownership interest. These Clinic Partnerships similarly are owned collectively by the Company and one or more physical therapists who are involved in the management of the operations. To a lesser extent, the Company operates some clinics, through wholly-owned subsidiaries (hereinafter referred to as "Wholly-Owned Facilities").

### Our Clinics

We operated and/or managed 729 clinics in 43 states on December 31, 2024. Our highest concentration of clinics is in the following states: Texas, Tennessee, Michigan, New York, Virginia, Oregon, Florida, Pennsylvania, Georgia, Maryland, Idaho, Missouri, Arizona, Alabama, Connecticut, South Carolina, and Wyoming. In addition to these clinics, we also managed 39 hospital and/or physician owned physical therapy practices as of December 31, 2024, through management contracts.

The table below indicates historical information regarding our clinic counts.

### Clinic Count Roll Forward <sup>(1)</sup>

	For the Year Ended	
	December 31, 2024	December 31, 2023
Number of clinics owned or managed, beginning of period	671	640
Additions <sup>(2)</sup>	103	46
Closed or sold	(45)	(15)
Number of clinics owned or managed, end of period	729	671

(1) The Company also manages clinics owned by third parties through management contracts. In addition to the clinic count shown above, as of December 31, 2024, the Company managed 39 clinics bringing the total owned/managed clinics to 768. As of December 31, 2023, the Company managed 43 clinics bringing the total owned/managed clinics to 714.

(2) Includes clinics added through acquisitions.

Our typical clinic occupies 1,000 to 7,000 square feet of leased space in an office building or shopping center. There are 20 clinics occupying space in the range of over 7,000 square feet to 16,500 square feet. We attempt to lease ground level space for our patients' ease of access to clinics.

Each Clinic Partnership maintains an independent local identity, while at the same time enjoying the benefits of national purchasing, negotiated third-party payor contracts, centralized support services and management practices. Under a management agreement, we provide a variety of support services to each clinic, including supervision of site selection, construction, clinic design and equipment selection, establishment of accounting systems and billing procedures and training of office support personnel, processing of accounts payable, non-clinical operational direction, auditing of regulatory compliance, payroll, benefits administration, accounting services, legal services, quality assurance and marketing support.

We provide services at our clinics on an outpatient basis and generally charge for treatment on a per procedure basis. Medicare patients are charged based on prescribed time increments and Medicare billing standards. In addition, our clinics will develop, when appropriate, individual maintenance and self-management exercise programs to be continued after treatment. We continually assess the potential for developing new services and expanding the methods of providing existing services in the most efficient manner while providing high quality patient care.

Therapists at our clinics initially perform a comprehensive evaluation of each patient, which is then followed by a treatment plan specific to the injury as prescribed by the patient's physician. The treatment plan may include a number of procedures, including therapeutic exercise, manual therapy techniques, ultrasound, electrical stimulation, hot packs, iontophoresis, education on management of daily life skills and home exercise programs. A clinic's business primarily comes from referrals by local physicians.

#### Patient Care Providers and Staffing

Typical minimum staff at a clinic consists of a licensed physical therapist and an office manager. As patient visits grow, staffing may also include additional physical therapists, occupational therapists, therapy assistants, aides, exercise physiologists, athletic trainers and office personnel. Therapy services are performed under the supervision of a licensed therapist.

We continue to seek to attract employment of physical therapists who have established relationships with physicians and other referral sources by offering these therapists a competitive salary and incentives based on the profitability of the clinic that they manage. For multi-site clinic practices in which a controlling interest is acquired by us, the prior owners typically continue as employees to manage the clinic operations, retaining a non-controlling ownership interest in the clinics and receiving a competitive salary for managing the clinic operations. In addition, we have developed satellite clinic facilities as part of existing Clinic Partnerships and Wholly-Owned Facilities, with the result that a substantial number of Clinic Partnerships and Wholly-Owned Facilities operate more than one clinic location.

Typically, each therapist partner or director, including those employed by Clinic Partnerships in which we acquired a majority interest, enters into a multi-year employment agreement for a term of up to five years with their Clinic Partnership. Each agreement typically provides for a covenant not to compete during the period of his or her employment and for up to two years thereafter. Under each employment agreement, the therapist partner receives a base salary and may receive a bonus based on the net revenues or profits generated by their Clinic Partnership or specific clinic. In the case of Clinic Partnerships, the therapist partner receives earnings distributions based upon their ownership interest. Upon termination of employment, we typically have the right to purchase the therapist's partnership interest in Clinic Partnerships. For those Clinic Partnerships we created in connection with an acquisition, our partner also has the right to cause us to purchase their interest upon termination of their employment, generally after a set holding period.

In connection with most of our acquired clinics, in the event that a limited non-controlling interest partner's employment ceases and certain requirements are met as detailed in the respective limited partnership agreements, the Company has a call right (the "Call Right") and the selling entity or individual has a put right (the "Put Right") with respect to the partner's limited partnership interests. The Put Right and the Call Right do not expire, even upon an individual partner's death, and contain no mandatory redemption feature. In addition, certain of these selling entities or individuals have the right to exercise some or all of their Put Right as of a specified anniversary date, in addition to having such rights upon termination of employment. The purchase price of the partner's limited partnership interest upon exercise of the Put Right or the Call Right is calculated at a predetermined multiple of earnings performance as detailed in the respective agreements.

### Sources of Revenue

Payor sources for physical therapy operations are primarily managed care programs, commercial health insurance, Medicare/Medicaid and workers' compensation insurance. Commercial health insurance, Medicare and managed care programs generally provide coverage to patients utilizing our clinics after payment by the patients of normal deductibles and co-insurance payments. Workers' compensation laws generally require employers to provide, directly or indirectly through insurance, costs of medical rehabilitation for their employees from work-related injuries and disabilities and, in some jurisdictions, mandatory vocational rehabilitation, usually without any deductibles, co-payments or cost sharing. Treatments for patients who are parties to personal injury cases are generally paid from the proceeds of settlements with insurance companies or from favorable judgments. If an unfavorable judgment is received, collection efforts are generally not pursued against the patient and the patient's account is written-off against established reserves. Bad debt reserves relating to all receivable types are regularly reviewed and adjusted as appropriate.

The following table shows our payor mix for the periods presented.

Payor	For the Year Ended					
	December 31, 2024		December 31, 2023		December 31, 2022	
	Net Patient Revenue	Percentage	Net Patient Revenue	Percentage	Net Patient Revenue	Percentage
(In thousands, except percentages)						
Managed Care Programs/ Commercial Health Insurance	\$ 264,704	47.2%	\$ 244,470	47.5%	\$ 215,822	46.5%
Medicare/Medicaid	202,040	36.0%	188,329	36.6%	174,401	37.5%
Workers' Compensation Insurance	56,524	10.1%	48,834	9.5%	45,010	9.7%
Other	37,285	6.7%	32,923	6.4%	29,357	6.3%
Total	\$ 560,553	100.0%	\$ 514,556	100.0%	\$ 464,590	100.0%

Our physical therapy business depends to a significant extent on our relationships with commercial health insurers, health maintenance organizations, preferred provider organizations and workers' compensation insurers. In some geographical areas, our clinics must be approved as providers by key health maintenance organizations and preferred provider plans to obtain payments. Failure to obtain or maintain these approvals would adversely affect financial results.

### Medicare

During the year ended December 31, 2024, approximately 40.6% of our visits and 36.0% of our net patient revenue was from patients with Medicare or Medicaid program coverage. To receive Medicare reimbursement, a facility (Medicare Certified Rehabilitation Agency) or the individual therapist (Physical/Occupational Therapist in Private Practice) must meet applicable participation conditions set by the Department of Health and Human Services ("HHS") relating to the type of facility, equipment, recordkeeping, personnel and standards of medical care, and also must comply with all state and local laws. HHS, through Centers for Medicare & Medicaid Services ("CMS") and designated agencies, periodically inspects or surveys clinics/providers for approval and/or compliance. Failure of our subsidiaries to obtain or maintain certifications as Medicare providers or failure to enroll as a group of physical/occupational therapists in a private practice could adversely affect financial results.

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule ("MPFS"). Outpatient rehabilitation providers may enroll in Medicare as institutional outpatient rehabilitation facilities (i.e., rehab agencies) or individual physical or occupational therapists in private practice. The majority of our clinicians are enrolled as individual physical or occupational therapists in private practice while the remaining balance of providers are reimbursed through enrolled rehab agencies.

For calendar years 2021, 2022 and 2023, Centers for Medicare and Medicaid Services ("CMS") expected decreases in Medicare reimbursement were partially offset by one-time increases in payments as a result of other legislation passed by Congress, resulting in decreases of approximately 3.5%, 0.75% and 2.0% in each of these years, respectively. For January 1 through March 8 of 2024, CMS's final rule resulted in an approximate 3.5% decrease in Medicare payments for the therapy specialty. However, effective as of March 9, 2024, pursuant to the Consolidated Appropriations Act, 2024, Congress minimized the reduction in Medicare payments for therapy services for the balance of 2024, resulting in an approximate 1.8% reduction in Medicare payments for therapy services (rather than the 3.5% decrease). The MPFS proposed by CMS for 2025, if enacted, is expected to decrease Medicare reimbursement for therapy services by approximately 2.9% as compared to the reimbursement rates in effect for most of 2024.



In the final 2020 MPFS rule, CMS clarified that when the physical therapist is involved for the entire duration of the service and the physical therapist assistant (“PTA”) provides skilled therapy alongside the physical therapist, an identification of the PTA’s participation (as denoted by a “CQ modifier”) is not required. Also, when the same service (code) is furnished separately by the physical therapist and PTA, CMS applies the de minimis standard to each 15-minute unit of codes, not on the total physical therapist and PTA time of the service. For dates of service on and after January 1, 2022, CMS pays for physical therapy and occupational therapy services provided by PTAs and occupational therapist assistants (“OTAs”) at 85% of the otherwise applicable Part B payment amount. CMS allows a timed service to be billed without a CQ (for PTA’s) or CO (for OTA’s) modifier when a PTA or OTA participates in providing care, but the physical therapist or occupational therapist meets the Medicare billing requirements without including the PTA’s or OTA’s minutes. This occurs when the physical therapist or occupational therapist provides more minutes than the 15-minute midpoint. The proposed 2025 MPFS final rule does not contain any policy changes concerning the modifiers for services provided by physical therapy and occupational therapist assistants.

The Budget Control Act of 2011 increased the federal debt ceiling in connection with deficit reductions over the next ten years and requires automatic reductions in federal spending by approximately \$1.2 trillion. Payments to Medicare providers are subject to these automatic spending reductions, subject to a 2% cap. The Bipartisan Budget Act of 2018 extended the 2% reductions to Medicare payments through fiscal year 2027.

Beginning in 2021, payments to individual therapists (Physical/Occupational Therapist in Private Practice) paid under the fee schedule may be subject to adjustment based on performance in the Merit Based Incentive Payment System (“MIPS”), which measures performance based on certain quality metrics, resource use, and meaningful use of electronic health records. Therapists eligible to participate in MIPS include only those therapists who are enrolled with Medicare as private practice providers and does not include therapists in facility-based providers, such as our clinics enrolled as certified rehabilitation agencies. Less than 3% of our therapist providers currently participate in MIPS. Under the MIPS requirements, a provider’s performance is assessed according to established performance standards each year and then is used to determine an adjustment factor that is applied to the professional’s payment for the corresponding payment year. For those therapist providers who participated in MIPS during 2020 through 2023, the resulting average payment adjustment was an increase of 1%. The 2025 adjustment for those therapist providers who participated in MIPS during 2024 is expected to remain at an average increase of approximately 1%.

Under the Middle-Class Tax Relief and Job Creation Act of 2012 (“MCTRA”), since October 1, 2012, patients who met or exceeded \$3,700 in therapy expenditures during a calendar year have been subject to a manual medical review to determine whether applicable payment criteria are satisfied. The \$3,700 threshold is applied to Physical Therapy and Speech Language Pathology Services; a separate \$3,700 threshold is applied to the Occupational Therapy. The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) directed CMS to modify the manual medical review process such that those reviews will no longer apply to all claims exceeding the \$3,700 threshold and instead will be determined on a targeted basis based on a variety of factors that CMS considers appropriate.

The Bipartisan Budget Act of 2018 extended the targeted medical review indefinitely but reduces the threshold to \$3,000 through December 31, 2027. For 2028, the threshold amount will be increased by the percentage increase in the Medicare Economic Index (“MEI”) for 2028 and in subsequent years the threshold amount will increase based on the corresponding percentage increase in the MEI for such subsequent year.

CMS adopted a multiple procedure payment reduction (“MPPR”) for therapy services in the final update to the MPFS for calendar year 2011. The MPPR applied to all outpatient therapy services paid under Medicare Part B — occupational therapy, physical therapy and speech-language pathology. Under the policy, the Medicare program pays 100% of the practice expense component of the Relative Value Unit (“RVU”) for the therapy procedure with the highest practice expense RVU, then reduces the payment for the practice expense component for the second and subsequent therapy procedures or units of service furnished during the same day for the same patient, regardless of whether those therapy services are furnished in separate sessions. In 2013, the practice expense component for the second and subsequent therapy service furnished during the same day for the same patient was reduced by 50%.

Given the history of frequent revisions to the Medicare program and its reimbursement rates and rules, we may not continue to receive reimbursement rates from Medicare that sufficiently compensate us for our services or, in some instances, cover our operating costs. Limits on reimbursement rates or the scope of services being reimbursed could have a material adverse effect on our revenue, financial condition and results of operations. Additionally, any delay or default by the federal or state governments in making Medicare and/or Medicaid reimbursement payments could materially and, adversely, affect our business, financial condition and results of operations.

Statutes, regulations, and payment rules governing the delivery of therapy services to Medicare beneficiaries are complex and subject to interpretation. We believe that we are in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on our financial statements as of December 31, 2024. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

### ***Marketing***

We focus our marketing efforts primarily on physicians, including orthopedic surgeons, neurosurgeons, physiatrists, internal medicine physicians, podiatrists, occupational medicine physicians and general practitioners. In marketing to the physician community, we emphasize our commitment to quality patient care and regular communication with physicians regarding patient progress. We employ personnel to assist clinic directors in developing and implementing marketing plans for the physician community and to assist in establishing relationships with health maintenance organizations, preferred provider organizations, case managers and insurance companies.

### ***Industrial Injury Prevention Services***

Services provided in the IIP segment include onsite injury prevention and rehabilitation, performance optimization, post offer employment testing, functional capacity evaluations, and ergonomic assessments. The majority of these services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. Our Company performs these services through Industrial Sports Medicine Professionals, consisting of both physical therapists and ATCs.

In 2017, we acquired a 55% interest in an initial IIP business. In 2018, we acquired a 65% interest in another business in the IIP sector and then combined the two businesses. After the combination, we owned a 59.45% interest in the combined business, Briotix Health, Limited Partnership (“Briotix Health”). In 2019, we acquired 100% of a third provider of industrial injury prevention services. The acquired company specializes in delivering injury prevention and care, post offer employment testing, functional capacity evaluations and return-to-work services. It performs these services across a network in 45 states including onsite at eleven client locations. The business was then combined with Briotix Health increasing our ownership position in the partnership to approximately 76%. In 2021, we acquired a company that specializes in return-to-work and ergonomic services, among other offerings and contributed those assets to Briotix Health. On October 31, 2023, we made an acquisition and purchased 100% of an additional IIP business and contributed its assets to Briotix Health. As part of the October 2023 Acquisition, we also acquired a 55% interest in an ergonomics software business. In April 2024, the Company acquired 100% of an IIP business and contributed its assets to Briotix Health. Subsequent to the abovementioned acquisitions and the purchases and sales of the redeemable non-controlling interests of the limited partners, our ownership in Briotix Health is approximately 92%.

On November 30, 2021, we acquired an approximate 70% interest in another leading provider of IIP services. The founders and owners retained the remaining interest.

## FACTORS INFLUENCING DEMAND FOR PHYSICAL THERAPY SERVICES

We believe that the following factors, among others, influence the growth of outpatient physical therapy services:

- *Economic Benefits of Therapy Services* – Purchasers and providers of healthcare services, such as insurance companies, health maintenance organizations, businesses, and industries, continuously seek cost savings for traditional healthcare services. We believe that our therapy services provide a cost-effective way to prevent short-term disabilities from becoming chronic conditions, to help avoid invasive procedures, to speed recovery from surgery and musculoskeletal injuries and eliminate or minimize the need for opioids.
- *Earlier Hospital Discharge* – Changes in health insurance reimbursement, both public and private, have encouraged the earlier discharge of patients to reduce costs. We believe that early hospital discharge practices foster greater demand for outpatient physical therapy services.
- *Aging Population* – In general, the elderly population has a greater incidence of disability compared to the population as a whole. As this segment of the population continues to grow, we believe that demand for rehabilitation services will expand.

## REGULATION AND HEALTHCARE REFORM

Numerous federal, state and local regulations regulate healthcare services and those who provide them. Some states into which we may expand have laws requiring facilities employing health professionals and providing health-related services to be licensed and, in some cases, to be owned by licensed physical therapists. Our therapists and/or clinics, however, are required to be licensed, as determined by the state in which they provide services. Failure to obtain or maintain any required approvals or licenses could have a material adverse effect on our business, financial condition and results of operations.

### *Regulations Controlling Fraud and Abuse*

Various federal and state laws regulate financial relationships involving providers of healthcare services. These laws include Section 1128B(b) of the Social Security Act (42 U.S. C. § 1320a-7b(b)) (the “Fraud and Abuse Law”), under which civil and criminal penalties can be imposed upon persons who, among other things, offer, solicit, pay or receive remuneration in return for (i) the referral of patients for the rendering of any item or service for which payment may be made, in whole or in part, by a Federal health care program (including Medicare and Medicaid); or (ii) purchasing, leasing, ordering, or arranging for or recommending purchasing, leasing, ordering any good, facility, service, or item for which payment may be made, in whole or in part, by a Federal health care program (including Medicare and Medicaid). We believe that our business procedures and business arrangements are in compliance with these provisions. However, the provisions are broadly written and the full extent of their specific application to specific facts and arrangements to which we are a party is uncertain and difficult to predict. In addition, several states have enacted state laws similar to the Fraud and Abuse Law, which may be more restrictive than the federal Fraud and Abuse Law.

The Office of the Inspector General (“OIG”) of HHS has issued regulations describing compensation financial arrangements that fall within a “Safe Harbor” and, therefore, are not viewed as illegal remuneration under the Fraud and Abuse Law. Failure to fall within a Safe Harbor does not mean that the Fraud and Abuse Law has been violated; however, the OIG has indicated that failure to fall within a Safe Harbor may subject an arrangement to increased scrutiny under a “facts and circumstances” test.

The OIG also has issued special fraud alerts and special advisory bulletins to remind the provider community of the importance and application of certain aspects of the Fraud and Abuse Law. One of the OIG special fraud alerts related to the rental of space in physician offices by persons or entities to which the physicians refer patients. The OIG’s stated concern in these arrangements is that rental payments may be disguised kickbacks to the physician-landlords to induce referrals. We rent clinic space for some of our clinics from referring physicians and have taken the steps that we believe are necessary to ensure that all leases comply to the extent possible and applicable, with the space rental Safe Harbor to the Fraud and Abuse Law.

One of the OIG's special advisory bulletins addressed certain complex contractual arrangements for the provision of items and services. This special advisory bulletin identified several characteristics commonly exhibited by suspect arrangements, the existence of one or more of which could indicate a prohibited arrangement to the OIG.

Due to the nature of our business operations, some of our management service arrangements exhibit one or more of these characteristics. However, we believe we have taken steps regarding the structure of such arrangements as necessary to sufficiently distinguish them from these suspect ventures, and to comply with the requirements of the Fraud and Abuse Law. However, if the OIG believes we have entered into a prohibited contractual joint venture, it could have an adverse effect on our business, financial condition and results of operations.

Although the business of managing physician-owned and hospital-owned physical therapy facilities is regulated by the Fraud and Abuse Law, the manner in which we contract with such facilities often falls outside the complete scope of available Safe Harbors. We believe our arrangements comply with the Fraud and Abuse Law, even though federal courts provide limited guidance as to the application of the Fraud and Abuse Law to these arrangements. If our management contracts are held to violate the Fraud and Abuse Law, it could have an adverse effect on our business, financial condition and results of operations.

#### ***Stark Law***

Provisions of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. § 1395nn) (the "Stark Law") prohibit referrals by a physician of "designated health services" which are payable, in whole or in part, by Medicare or Medicaid, to an entity in which the physician or the physician's immediate family member has an investment interest or other financial relationship, subject to several exceptions. Unlike the Fraud and Abuse Law, the Stark Law is a strict liability statute. Proof of intent to violate the Stark Law is not required. Physical therapy and occupational therapy services are among the "designated health services". Further, the Stark Law has application to our management contracts with individual physicians and physician groups, as well as any other financial relationship between us and referring physicians, including medical advisor arrangements and any financial transaction resulting from a clinic acquisition. The Stark Law also prohibits billing for services rendered pursuant to a prohibited referral. Several states have enacted laws similar to the Stark Law. These state laws may cover all (not just Medicare and Medicaid) patients. As with the Fraud and Abuse Law, we consider the Stark Law in planning our clinics, establishing contractual and other arrangements with physicians, marketing and other activities, and believe that our operations are in compliance with the Stark Law. If we violate the Stark Law or any similar state laws, our financial results and operations could be adversely affected. Penalties for violations include denial of payment for the services, significant civil monetary penalties, and exclusion from the Medicare and Medicaid programs.

#### ***Corporate Practice of Medicine; Fee-Splitting***

We also contract with physician-owned professional corporations and physical therapists owned professional corporations to deliver our services to them on behalf of their patients. We may also enter into management and/or administrative services agreements with these physician-owned and/or therapist-owned professional corporations pursuant to which we may provide them with staffing, billing, scheduling and a wide range of other services, and they pay us for those services out of the fees they collect from patients and third-party payors. These contractual relationships will be subject to various state laws, including those of New York, that prohibit fee-splitting or the practice of medicine by lay entities or persons and are intended to prevent unlicensed persons from interfering with or influencing the licensed physician's or physical therapist's professional judgment. In addition, various state laws also generally prohibit the sharing of professional services income with nonprofessional or business interests. Activities other than those directly related to the delivery of healthcare may be considered an element of the practice of medicine in many states.

State corporate practice of medicine and fee-splitting laws also vary from state to state and are not always consistent among states. In addition, these requirements are subject to broad powers of interpretation and enforcement by state regulators. Some of these requirements may apply to us even if we do not have a physical presence in the state, based solely on our engagement of a provider licensed in the state or the provision of telehealth to a resident of the state. Failure to comply could lead to adverse judicial or administrative action against us and/or our providers, civil or criminal penalties, receipt of cease-and-desist orders from state regulators, loss of provider licenses, the need to make changes to the terms of engagement of our providers that interfere with our business and other materially adverse consequences. While we believe our arrangements with physician-owned and physical therapist-owned professional corporations are not in conflict with applicable state corporate practice of medicine restrictions, a state or a court could in the future determine that our arrangements implicate the restrictions on the corporate practice of medicine.

## **HIPAA**

In an effort to further combat healthcare fraud and protect patient confidentiality, Congress included several anti-fraud measures in the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). HIPAA created a source of funding for fraud control to coordinate federal, state and local healthcare law enforcement programs, conduct investigations, provide guidance to the healthcare industry concerning fraudulent healthcare practices, and establish a national data bank to receive and report final adverse actions. HIPAA also criminalized certain forms of health fraud against all public and private payors. Additionally, HIPAA mandates the adoption of standards regarding the exchange of healthcare information in an effort to ensure the privacy and electronic security of patient information and standards relating to the privacy of health information. Sanctions for failing to comply with HIPAA include criminal penalties and civil sanctions. In February of 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was signed into law. Title XIII of ARRA, the Health Information Technology for Economic and Clinical Health Act ("HITECH"), provided for substantial Medicare and Medicaid incentives for providers to adopt electronic health records ("EHRs") and grants for the development of health information exchange ("HIE"). Recognizing that HIE and EHR systems will not be implemented unless the public can be assured that the privacy and security of patient information in such systems is protected, HITECH also significantly expanded the scope of the privacy and security requirements under HIPAA. Most notable are the mandatory breach notification requirements and a heightened enforcement scheme that includes increased penalties, and which now apply to business associates as well as to covered entities. In addition to HIPAA, a number of states have adopted laws and/or regulations applicable in the use and disclosure of individually identifiable health information that can be more stringent than comparable provisions under HIPAA.

We believe that our operations comply with applicable standards for privacy and security of protected healthcare information. We cannot predict what negative effect, if any, HIPAA/HITECH or any applicable state law or regulation will have on our business.

## ***Other Regulatory Factors***

Political, economic and regulatory influences are fundamentally changing the healthcare industry in the United States. Congress, state legislatures and the private sector continue to review and assess alternative healthcare delivery and payment systems. Potential alternative approaches could include mandated basic healthcare benefits, controls on healthcare spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, the creation of large insurance purchasing groups, and price controls. Legislative debate is expected to continue in the future and market forces are expected to demand only modest increases or reduced costs. For instance, managed care entities are demanding lower reimbursement rates from healthcare providers and, in some cases, are requiring or encouraging providers to accept payments that may not allow providers to cover their full costs or realize traditional levels of profitability. We cannot reasonably predict what impact the adoption of federal or state healthcare reform measures or future private sector reform may have on our business.

## **COMPETITION**

The healthcare industry, including the physical therapy business and the industrial injury prevention services business, is highly competitive. The physical therapy business as well as the industrial injury prevention services business are both highly fragmented with no company having a significant market share nationally. We believe that we are one of the largest national outpatient physical therapy services providers.

Competitive factors affecting our business include quality of care, cost, treatment outcomes, convenience of location, and relationships with, and ability to meet the needs of, referral and payor sources. Our clinics compete, directly or indirectly, with many types of healthcare providers including the physical therapy departments of hospitals, private therapy clinics, physician-owned therapy clinics, and chiropractors. We may face more intense competition if consolidation of the therapy industry continues.

We believe that our partnership strategy provides us with a competitive advantage. Our clinics are partly owned by therapists who have developed exceptional reputations in their local communities and these therapist-owners oversee their respective clinic operations helping to ensure the success of the clinics.

#### **ENFORCEMENT ENVIRONMENT**

In recent years, federal and state governments have launched several initiatives aimed at uncovering behavior that violates the federal civil and criminal laws regarding false claims and fraudulent billing and coding practices. Such laws require providers to adhere to complex reimbursement requirements regarding proper billing and coding in order to be compensated for their services by government payors. Our compliance program requires adherence to applicable law and promotes reimbursement education and training; however, a determination that our clinics' billing and coding practices are false or fraudulent could have a material adverse effect on us.

As a result of our participation in the Medicare and Medicaid programs, we are subject to various governmental inspections, reviews, audits and investigations to verify our compliance with these programs and applicable laws and regulations. Federal, state and private payors regularly conduct audits of billing and coding practices at our clinics. An adverse inspection, review, audit or investigation could result in refunding the amounts we have been paid; fines penalties and/or revocation of billing privileges for the affected clinics; the imposition of a corporate integrity agreement; exclusion from participation in the Medicare or Medicaid programs or one or more managed care payor networks; or damage to our reputation.

We and our clinics are subject to federal and state laws prohibiting entities and individuals from knowingly and willfully making claims to Medicare, Medicaid and other governmental programs and third-party payors that contain false or fraudulent information. The federal False Claims Act encourages private individuals to file suits on behalf of the government against healthcare providers such as us. As such suits are generally filed under seal with a court to allow the government adequate time to investigate and determine whether it will intervene in the action, the implicated healthcare providers often are unaware of the suit until the government has made its determination and the seal is lifted. Violations or alleged violations of such laws, and any related lawsuits, could result in (i) exclusion from participation in Medicare, Medicaid and other federal healthcare programs, or (ii) significant financial or criminal sanctions, resulting in the possibility of substantial financial penalties for small billing errors that are replicated in a large number of claims, as each individual claim could be deemed a separate violation. In addition, many states also have enacted similar statutes, which may include criminal penalties, substantial fines, and treble damages.

#### **COMPLIANCE PROGRAM**

##### ***Our Compliance Program***

Our ongoing success depends upon our reputation for quality service and ethical business practices. We operate in a highly regulated environment with many federal, state and local laws and regulations. We take a proactive interest in understanding and complying with the laws and regulations that apply to our business.

Our Board of Directors (the "Board") has adopted a Code of Business Conduct and Ethics and a set of Corporate Governance Guidelines to clarify the ethical standards under which the Board and management carry out their duties. In addition, the Board has created a Compliance Committee of the Board ("Compliance Committee") whose purpose is to assist the Board in discharging their oversight responsibilities with respect to compliance with federal and state laws and regulations relating to healthcare.

We have issued a Compliance Manual and created compliance training materials, hand-outs and an on-line testing program. These tools were prepared to ensure that every employee of our Company and subsidiaries has a clear understanding of our mutual commitment to high standards of professionalism, honesty, fairness and compliance with the law in conducting business. These standards are administered by our Chief Compliance Officer ("CCO"), who has the responsibility for the day-to-day oversight, administration and development of our compliance program. The CCO, internal and external counsel, management and the Compliance Committee review our policies and procedures for our compliance program from time to time in an effort to improve operations and to ensure compliance with requirements of standards, laws and regulations and to reflect the on-going compliance focus areas which have been identified by management, counsel or the Compliance Committee. We also have established systems for reporting potential violations, educating our employees, monitoring and auditing compliance and handling enforcement and discipline.

## **Committees**

Our Compliance Committee, appointed by the Board, consists of three independent directors. The Compliance Committee has general oversight of our Company's compliance with the legal and regulatory requirements regarding healthcare operations, as well as cybersecurity. The Compliance Committee relies on the expertise and knowledge of management, the CCO and other compliance and legal personnel. The CCO regularly communicates with the Chairman of the Compliance Committee. The Compliance Committee meets at least four times a year or more frequently as necessary to carry out its responsibilities and reports regularly to the Board regarding its actions and recommendations.

We also have an Internal Compliance Committee, which is comprised of Company leaders in the areas of operations, clinical services, finance, human resources, legal, information technology and credentialing. The Internal Compliance Committee has the responsibility for evaluating and assessing Company areas of risk relating to compliance with federal and state healthcare laws, and generally to assist the CCO. The Internal Compliance Committee meets at least four times a year or more frequently as necessary to carry out its responsibilities. In addition, management has appointed a team to address our Company's compliance with HIPAA. The HIPAA team consists of a security officer and employees from our legal, information systems, finance, operations, compliance, business services and human resources departments. The team prepares assessments and makes recommendations regarding operational changes and/or new systems, if needed, to comply with HIPAA.

Each clinic certified as a Medicare Rehabilitation Agency has a formally appointed governing body composed of a member of our management and the director/administrator of the clinic. The governing body retains legal responsibility for the overall conduct of the clinic. The members confer regularly and discuss, among other issues, clinic compliance with applicable laws and regulations. In addition, there are Professional Advisory Committees which serve as Infection Control Committees. These committees meet in the facilities and function as advisors.

We have in place a Risk Management Committee consisting of, among others, the CCO, the Vice President of Human Resources, and other legal, compliance and operations personnel. This committee reviews and monitors all employee and patient incident reports and provides clinic personnel with actions to be taken in response to the reports.

## **Reporting Violations**

In order to facilitate our employees' ability to report in confidence, anonymously and without retaliation any perceived improper work-related activities, accounting irregularities and other violations of our compliance program, we have set up an independent national compliance hotline. The compliance hotline is available to receive confidential reports of wrongdoing Monday through Friday (excluding holidays), 24 hours a day. The compliance hotline is staffed by experienced third party professionals trained to utilize utmost care and discretion in handling sensitive issues and confidential information. The information received is documented and forwarded timely to the CCO, who, together with the Compliance Committee, has the power and resources to investigate and resolve matters of improper conduct.

## **Educating Our Employees**

We utilize numerous methods to train our employees in compliance related issues, including an online learning management system. All employees complete a comprehensive training program comprised of numerous modules relating to our business and proper practices when newly hired and annually thereafter. The directors/administrators also provide periodic "refresher" training for existing employees and one-on-one comprehensive training with new hires. The corporate compliance group responds to questions from clinic personnel and conducts frequent teleconference meetings, webinars and training sessions on a variety of compliance related topics.

When a clinic opens, we provide a package of compliance materials containing manuals and detailed instructions for meeting Medicare Conditions of Participation Standards and other compliance requirements. During follow up training with the director/administrator of the clinic, compliance department staff explain various details regarding requirements and compliance standards. Compliance staff will remain in contact with the director/administrator while the clinic is implementing compliance standards and will provide any assistance required. All new office managers receive training (including Medicare, regulatory and corporate compliance, insurance billing, charge entry and transaction posting and coding, daily, weekly and monthly accounting reports) from the training staff at the corporate office. The corporate compliance group will assist in continued compliance, including guidance to the clinic staff with regard to Medicare certifications, state survey requirements and responses to any inquiries from regulatory agencies.

#### ***Monitoring and Auditing Clinic Operational Compliance***

We have in place audit programs and other procedures to monitor and audit clinic operational compliance with applicable policies and procedures. We employ internal auditors who, as part of their job responsibilities, conduct periodic audits of each clinic. Most clinics are audited at least once every 24 months and additional focused audits are performed as deemed necessary. During these audits, particular attention is given to compliance with Medicare and internal policies, Federal and state laws and regulations, third party payor requirements, and patient chart documentation, billing, reporting, record keeping, collections and contract procedures. The audits are conducted on site or remotely and include interviews with the employees involved in management, operations, billing and accounts receivable.

Formal audit reports are prepared and reviewed with corporate management and the Compliance Committee. Each clinic director/administrator receives a letter instructing them of any corrective measures required. Each clinic director/administrator then works with the compliance team and operations to ensure such corrective measures are achieved.

#### ***Handling Enforcement and Discipline***

It is our policy that any employee who fails to comply with compliance program requirements or who negligently or deliberately fails to comply with known laws or regulations specifically addressed in our compliance program should be subject to disciplinary action up to and including discharge from employment. The Compliance Committee, compliance staff, human resources staff and management investigate violations of our compliance program and impose disciplinary action as considered appropriate.

### **EMPLOYEES**

As of December 31, 2024, we employed approximately 7,028 people nationwide, of which approximately 4,034 were full-time employees. In addition, therapist-owned outpatient physical therapy practices for which we provide management and/or administrative services employ another 755 employees of which 382 are full-time employees. It is crucial that we continue to attract and retain top talent. To attract and retain talented employees, we strive to make our corporate office and all our practices and businesses a diverse and healthy workplace, with opportunities for our employees to receive continuing education, skill development, encouragement to grow and develop their career, all supported by competitive compensation, incentives, and benefits. Our clinical professionals are all licensed and a vast majority have advanced degrees. Our operational leadership teams have long-standing relationships with local and regional universities, professional affiliations, and other applicable sources that provide our practices with a talent pipeline.

We provide competitive compensation and benefits programs to help meet our employees' needs in the practices and communities in which they serve. These programs (which can vary by practice and employment classification) include competitive base salaries, incentive compensation plans, a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, education assistance, mental health, and other employee assistance benefits.

We invest resources to develop the talent needed to support our business strategy. Resources include a multitude of training and development programs delivered internally and externally, online and instructor-led, and on-the-job learning formats.



We expect to continue adding personnel in the future as we focus on potential acquisition targets and organic growth opportunities.

#### AVAILABLE INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our internet website at [www.usph.com](http://www.usph.com) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings at <http://www.sec.gov>.

#### ITEM 1A. RISK FACTORS

Our business, operations and financial condition are subject to various risks. Some of these risks are described below, and readers of this Annual Report on Form 10-K should take such risks into account in evaluating our Company or making any decision to invest in us. This section does not describe all risks applicable to our Company, our industry or our business, and it is intended only as a summary of material factors affecting our business.

##### RISKS RELATED TO OUR BUSINESS AND OPERATIONS

###### *Decreases in Medicare reimbursement rate may adversely affect our financial results.*

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule (“MPFS”). For services provided in 2025, we expect our reimbursement rates under the MPFS to be approximately 2.9% less than the applicable reimbursement rates during 2024.

Statutes, regulations, and payment rules governing the delivery of therapy services to Medicare beneficiaries are complex and subject to interpretation. The Company believes that the Company is in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Company’s financial statements as of December 31, 2024. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program. For the year ended December 31, 2024, and 2023, respectively, net patient revenues from Medicare were approximately \$183.4 million and \$170.7 million, respectively.

Given the history of frequent revisions to the Medicare program and its reimbursement rates and rules, we may not continue to receive reimbursement rates from Medicare that sufficiently compensate us for our services or, in some instances, cover our operating costs. Limits on reimbursement rates or the scope of services being reimbursed could have a material adverse effect on our revenue, financial condition, and results of operations. Additionally, any delay or default by the federal or state governments in making Medicare and/or Medicaid reimbursement payments could materially and, adversely, affect our business, financial condition and results of operations.

###### *Revenue we receive from Medicare and Medicaid is subject to potential retroactive reduction.*

Payments we receive from Medicare and Medicaid can be retroactively adjusted after examination during the claims settlement process or as a result of post-payment audits. Payors may disallow our requests for reimbursement, or recoup amounts previously reimbursed, based on determinations by the payors or their third-party audit contractors that certain costs are not reimbursable because either adequate or additional documentation was not provided or because certain services were not covered or deemed to not be medically necessary. Significant adjustments, recoupments or repayments of our Medicare or Medicaid revenue, and the costs associated with complying with investigative audits by regulatory and governmental authorities, could adversely affect our financial condition and results of operations.

Additionally, from time to time we become aware, either based on information provided by third parties and/or the results of internal audits, of payments from payor sources that were either wholly or partially in excess of the amount that we should have been paid for the service provided. Overpayments may result from a variety of factors, including insufficient documentation supporting the services rendered or medical necessity of the services or other failures to document the satisfaction of the necessary conditions of payment. We are required by law in most instances to refund the full amount of the overpayment after becoming aware of it, and failure to do so within requisite time limits imposed by the law could lead to significant fines and penalties being imposed on us. Furthermore, our initial billing of and payments for services that are unsupported by the requisite documentation and satisfaction of any other conditions of payment, regardless of our awareness of the failure at the time of the billing or payment, could expose us to significant fines and penalties. We, and/or certain of our operating companies, could also be subject to exclusion from participation in the Medicare or Medicaid programs in some circumstances as well, in addition to any monetary or other fines, penalties or sanctions that we may incur under applicable federal and/or state law. Our repayment of any such amounts, as well as any fines, penalties or other sanctions that we may incur, could be significant and could have a material and adverse effect on our results of operations and financial condition.

From time to time, we are also involved in various external governmental investigations, audits and reviews. Reviews, audits and investigations of this sort can lead to government actions, which can result in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way we conduct business, loss of licensure or exclusion from participation in government programs. Failure to comply with applicable laws, regulations and rules could have a material and adverse effect on our results of operations and financial condition. Furthermore, becoming subject to these governmental investigations, audits and reviews can also require us to incur significant legal and document production expenses as we cooperate with the government authorities, regardless of whether the particular investigation, audit or review leads to the identification of underlying issues.

***We depend upon reimbursement by third-party payors.***

Substantially all of our revenues are derived from private and governmental third-party payors. In 2024, approximately 64.0% of our revenues were derived collectively from managed care plans, commercial health insurers, workers' compensation payors, and other private pay revenue sources while approximately 36.0% of our revenues were derived from Medicare and Medicaid. Initiatives undertaken by industry and government to contain healthcare costs affect the profitability of our clinics. These payors attempt to control healthcare costs by contracting with healthcare providers to obtain services on a discounted basis. We believe that this trend will continue and may limit reimbursement for healthcare services. If insurers or managed care companies from whom we receive substantial payments were to reduce the amounts they pay for services, our profit margins may decline, or we may lose patients if we choose not to renew our contracts with these insurers at lower rates. In addition, in certain geographical areas, our clinics must be approved as providers by key health maintenance organizations and preferred provider plans. Failure to obtain or maintain these approvals would adversely affect our financial results.

In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. See "Business—Sources of Revenue – Physical Therapy Services" in Item 1 for more information including changes to Medicare reimbursement. Additional reforms or other changes to these payment systems may be proposed or adopted, either by the U.S. Congress or by CMS, including bundled payments, outcomes-based payment methodologies and a shift away from traditional fee-for-service reimbursement. If revised regulations are adopted, the availability, methods and rates of Medicare reimbursements for services of the type furnished at our facilities could change. Some of these changes and proposed changes could adversely affect our business strategy, operations and financial results.

***Our facilities are subject to extensive federal and state laws and regulations relating to the privacy of individually identifiable patient information.***

HIPAA required the HHS to adopt standards to protect the privacy and security of individually identifiable health-related information. The department released final regulations containing privacy standards in 2000 and published revisions to the final regulations in 2002. The privacy regulations extensively regulate the use and disclosure of individually identifiable health-related information. The regulations also provide patients with significant rights related to understanding and controlling how their health information is used or disclosed. The security regulations require healthcare providers to implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. HITECH, which was signed into law in 2009, enhanced the privacy, security and enforcement provisions of HIPAA by, among other things establishing security breach notification requirements, allowing enforcement of HIPAA by state attorneys general, and increasing penalties for HIPAA violations. Violations of HIPAA or HITECH could result in civil or criminal penalties.

In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. State statutes and regulations vary from state to state. Lawsuits, including class actions and action by state attorneys general, directed at companies that have experienced a privacy or security breach also can occur.

We have established policies and procedures in an effort to ensure compliance with these privacy related requirements. However, if there is a breach, we may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

***We are subject to risks associated with public health crises and epidemics/pandemics, such as the novel strain of coronavirus (“COVID-19”).***

Our operations expose us to risks associated with public health crises and epidemics/pandemics, such as COVID-19 that has spread globally. A public health crisis may lead to disruption and volatility in the global capital markets, which increases the cost of, and adversely impacts access to, capital and increases economic uncertainty. A future public health crisis could have an adverse impact on our operations and supply chains, including a temporary loss of physical therapists and other employees who are infected or quarantined for a period of time, an increase in cancellations of physical therapy patient appointments and a decline in the scheduling of new or additional patient appointments.

***We expect the federal and state governments to continue their efforts to contain growth in Medicaid expenditures, which could adversely affect our revenue and profitability.***

Medicaid spending has increased rapidly in recent years, becoming a significant component of state budgets. This, combined with slower state revenue growth, has led both the federal government and many states to institute measures aimed at controlling the growth of Medicaid spending, and in some instances reducing aggregate Medicaid spending. We expect these state and federal efforts to continue for the foreseeable future. Furthermore, not all of the states in which we operate, most notably Texas, have elected to expand Medicaid as part of federal healthcare reform legislation. There can be no assurance that the program, on the current terms or otherwise, will continue for any particular period of time beyond the foreseeable future. If Medicaid reimbursement rates are reduced or fail to increase as quickly as our costs, or if there are changes in the rules governing the Medicaid program that are disadvantageous to our businesses, our business and results of operations could be materially and adversely affected.

***As a result of increased post-payment reviews of claims we submit to Medicare for our services, we may incur additional costs and may be required to repay amounts already paid to us.***

We are subject to regular post-payment inquiries, investigations, and audits of the claims we submit to Medicare for payment for our services. These post-payment reviews have increased as a result of government cost-containment initiatives. These additional post-payment reviews may require us to incur additional costs to respond to requests for records and to pursue the reversal of payment denials, and ultimately may require us to refund amounts paid to us by Medicare that are determined to have been overpaid.

For a further description of this and other laws and regulations involving governmental reimbursements, see “Business—Sources of Revenue” and “—Regulation and Healthcare Reform” in Item 1.

***An economic downturn, state budget pressures, sustained unemployment and continued deficit spending by the federal government may result in a reduction in reimbursement and covered services.***

An economic downturn, including the consequences of a pandemic, such as COVID-19, could have a detrimental effect on our revenues. Historically, state budget pressures have translated into reductions in state spending. Given that Medicaid outlays are a significant component of state budgets, we can expect continuing cost containment pressures on Medicaid outlays for our services in the states in which we operate. In addition, an economic downturn, coupled with sustained unemployment, may also impact the number of enrollees in managed care programs as well as the profitability of managed care companies, which could result in reduced reimbursement rates.

The existing federal deficit, as well as deficit spending by federal and state governments as the result of adverse developments in the economy or other reasons, can lead to continuing pressure to reduce governmental expenditures for other purposes, including government-funded programs in which we participate, such as Medicare and Medicaid. Such actions in turn may adversely affect our results of operations.

***We may be required to comply with put rights in certain of our acquisition agreements, related to a potential future purchase of significant equity interests in our existing subsidiaries or a separate company.***

Certain of our acquisition agreements include put rights for the potential future purchase of significant equity interests in our subsidiaries or in a separate company, in each case at a purchase price which is derived based on a specified multiple of the applicable historical earnings. The exercise of these put rights is outside of our control. In the event that one or more of these put rights is triggered, we are required to purchase the aforementioned equity interest at a calculated purchase price. The resulting purchase price may be greater than the fair value of such equity interests at the time, and we may or may not have the capital necessary to satisfy such contractual purchase obligation, in which case we could be in breach.

***Our debt and financial obligations could adversely affect our financial condition, our ability to obtain future financing, and our ability to operate our business.***

We have outstanding debt obligations that could adversely affect our financial condition and limit our ability to successfully implement our business strategy. Furthermore, from time to time, we may need additional financing to support our business and pursue our business strategy, including strategic acquisitions. Our ability to obtain additional financing, if and when required, will depend on investor demand, our operating performance, the condition of the capital markets, and other factors. We cannot provide assurances that additional financing will be available to us on favorable terms when required, or at all.

Our loan agreements contain certain restrictions and requirements that among other things:

- require us to maintain a quarterly fixed charge coverage ratio and minimum working capital ratio;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions, to fund growth or for general corporate purposes;
- limit our future ability to refinance our indebtedness on terms acceptable to us or at all;
- limit our flexibility in planning for or reacting to changes in our business and market conditions or in funding our strategic growth plan; and
- impose on us financial and operational restrictions.

Our ability to meet our debt service obligations will depend on our future performance, which will be affected by the other risk factors described herein. If we do not generate enough cash flow to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell our assets, borrow more money or raise equity. There is no guarantee that we will be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all.

If we fail to satisfy our debt service obligations or the other restrictions and requirements in our loan agreements, we could be in default. Unless cured or waived, a default would permit lenders to accelerate the maturity of the debt under the credit agreement and to foreclose upon the collateral securing the debt.

Our outstanding loans bear interest at variable rates. In response to the variable rates, we entered into an interest rate swap agreement. We are exposed to certain market risks during the ordinary course of business due to adverse changes in interest rates. The exposure to interest rate risk primarily results from our variable-rate borrowing. Fluctuations in interest rates can be volatile and the Company's risk management activities do not eliminate these risks. In May 2022, we entered into an interest rate swap agreement to manage these risks. While intended to reduce the effects of fluctuations in these prices and rates, these transactions may limit our potential gains or expose us to losses. If our counterparties to such transactions or sponsors fail to honor their obligations due to financial distress, we would be exposed to potential losses or the inability to recover anticipated gains from these transactions.

***In conducting our business, we are required to comply with applicable laws regarding fee-splitting and the corporate practice of medicine.***

Some states prohibit the “corporate practice of therapy” that restricts business corporations from providing physical therapy services through the direct employment of therapist physicians or from exercising control over medical decisions by therapists. The laws relating to corporate practice vary from state to state. Typically, however, professional corporations owned and controlled by licensed professionals are exempt from corporate practice restrictions and may employ therapists to furnish professional services. Those professional corporations may be supported by business corporations, such as the Company, that provide management and/or administrative services, subject to certain limitations .

Some states also prohibit entities from engaging in certain financial arrangements, such as fee-splitting, with physicians or therapists. The laws relating to fee-splitting also vary from state to state. Generally, these laws restrict business arrangements that involve a physician or therapist sharing medical fees with a referral source, but in some states, these laws have been interpreted to extend to management agreements between physicians or therapists and business entities under some circumstances.

We believe that our current and planned activities do not constitute fee-splitting or the unlawful corporate practice of medicine as contemplated by these state laws. However, there can be no assurance that future interpretations of such laws will not require structural and organizational modification of our existing relationships with the practices. If a court or regulatory body determines that we have violated these laws or if new laws are introduced that would render our arrangements illegal, we could be subject to fines or penalties, our contracts could be found legally invalid and unenforceable (in whole or in part), or we could be required to restructure our contractual arrangements with physicians, hospitals and/or physical therapist-owned providers.

***Some of our acquisition agreements contain contingent consideration, the value of which may impact future financial results.***

Some of our acquisition agreements include contingent earn-out consideration, the fair value of which is estimated as of the acquisition date based on the present value of the expected contingent payments as determined using weighted probabilities of possible future payments. These fair value estimates contain unobservable inputs and estimates that could materially differ from the actual future results and we cannot predict the ultimate result. The fair value of the contingent earn-out consideration could increase or decrease, as applicable. Changes in the fair value of contingent earn-outs will be reflected in our results of operations in the period in which they are recognized, the amount of which may be material and could cause volatility in our operating results.

***Our contractual arrangements may not be as effective in providing control over our variable interest entities as direct ownership.***

Through contractual arrangements, we control the management and non-clinical operating activities but have less than majority ownership interests in certain variable interest entities. If our variable interest entities or their equity holders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend additional resources to enforce such arrangements. Accordingly, these contractual arrangements may not be as effective as majority ownership in providing us with control over our variable interest entities.

The variable interest entity equity holders may have conflicts of interest with us and they may not act in our best interests or may not perform their obligations under these contracts. For example, our variable interest entities and their respective equity holders could breach their contractual arrangements with us by, among other things, failing to conduct their operations or taking other actions that are detrimental to our interests. If any equity holder is uncooperative and any dispute relating to these contracts remains unresolved, we will have to enforce our rights under the contractual arrangements and through arbitration, litigation, and other legal proceeding, which may be costly and time-consuming and may be limited by legal principles preventing the enforcement of a contract if it is determined to involve a violation of law or public policy. If we are unable to enforce the contractual arrangements, we may not be able to exert effective control over the variable interest entities, and our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

***Impact on the business and cash reserves resulting from retirement or resignation of key partners and resulting purchase of their non-controlling interests (minority interests).***

As described in Note 6 to our financial statements included in Item 8, the redeemable non-controlling interests in our partnerships are held by our partners. Upon the occurrence of certain events, such as retirement or other termination of employment, partners from acquired partnerships may have the right to exercise a “put” to cause us to purchase their redeemable non-controlling interests. Depending on the amount and timing of the exercise of any “put” rights, the funds required could have an adverse impact on our capital structure.

***Healthcare reform legislation may affect our business.***

In recent years, many legislative proposals have been introduced or proposed in Congress and in some state legislatures that would affect major changes in the healthcare system, either nationally or at the state level. At the federal level, Congress has continued to propose or consider healthcare budgets that substantially reduce payments under the Medicare programs. See “Business—Our Operating Segments – Physical Therapy Operations-Sources of Revenue” in Item 1 for more information. The ultimate content, timing or effect of any healthcare reform legislation and the impact of potential legislation on us is uncertain and difficult, if not impossible, to predict. That impact may be material to our business, financial condition or results of operations.

***Our operations are subject to extensive regulation.***

The healthcare industry is subject to extensive federal, state and local laws and regulations relating to:

- facility and professional licensure/permits, including certificates of need;
- conduct of operations, including financial relationships among healthcare providers, Medicare fraud and abuse, and physician self-referral.
- addition of facilities and services; and
- coding, billing and payment for services.

In recent years, there have been heightened coordinated civil and criminal enforcement efforts by both federal and state government agencies relating to the healthcare industry. We believe we are in substantial compliance with all laws, but differing interpretations or enforcement of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make changes in our methods of operations, facilities, equipment, personnel, services and capital expenditure programs and increase our operating expenses. If we fail to comply with these extensive laws and government regulations, we could become ineligible to receive government program reimbursement, suffer civil or criminal penalties or be required to make significant changes to our operations. In addition, we could be forced to expend considerable resources responding to an investigation or other enforcement action under these laws or regulations. For a more complete description of certain of these laws and regulations, see “Business—Regulation and Healthcare Reform” and “Business—Compliance Program” in Item 1.

Both federal and state regulatory agencies inspect, survey, and audit our facilities to review our compliance with these laws and regulations. While our facilities intend to comply with the existing licensing, Medicare certification requirements and accreditation standards, there can be no assurance that these regulatory authorities will determine that all applicable requirements are fully met at any given time. A determination by any of these regulatory authorities that a facility is not in compliance with these requirements could lead to the imposition of requirements that the facility takes corrective action, assessment of fines and penalties, or loss of licensure or Medicare certification of accreditation. These consequences could have an adverse effect on us.

***Our operations are subject to investigations, legal actions and proceedings that could result in an adverse impact on our business and financial position.***

Healthcare providers are subject to investigations, legal actions and proceedings, as well as lawsuits under the qui tam provisions of the federal False Claims Act, based on claims that the provider failed to comply with applicable laws and regulations that govern coding and the submission of claims for services provided to Medicare patients, among other things. These matters can involve significant costs, monetary damages and penalties. We have been subject to these proceedings in the past, and future proceedings could result in an adverse impact on our business and financial results.

***We face inspections, reviews, audits and investigations under federal and state government programs and contracts. These audits could have adverse findings that may negatively affect our business.***

As a result of our participation in the Medicare and Medicaid programs, we are subject to various governmental inspections, reviews, audits and investigations to verify our compliance with these programs and applicable laws and regulations. Managed care payors may also reserve the right to conduct audits. An adverse inspection, review, audit or investigation could result in:

- refunding amounts we have been paid pursuant to the Medicare or Medicaid programs or from managed care payors;
- state or federal agencies imposing fines, penalties and other sanctions on us;
- temporary suspension of payment for new patients to the facility or agency;
- decertification or exclusion from participation in the Medicare or Medicaid programs or one or more managed care payor networks;
- the imposition of a new Corporate Integrity Agreement;
- damage to our reputation;
- the revocation of a facility's or agency's license; and
- loss of certain rights under, or termination of, our contracts with managed care payors.

If adverse inspections, reviews, audits or investigations occur and any of the results noted above occur, it could have a material adverse effect on our business and operating results.

***We may be adversely affected by a security breach, such as a cyber-attack, which may cause a violation of HIPAA or HITECH and subject us to potential legal and reputational harm.***

In the normal course of business, our information technology systems hold sensitive patient information including patient demographic data and other protected health information, which is subject to HIPAA and HITECH. We also contract with third-party vendors to maintain and store our patients' individually identifiable health information. Numerous state and federal laws and regulations address privacy and information security concerns resulting from our access to our patient's and employee's personal information.

Our information technology systems and those of our vendors that process, maintain, and transmit such data are subject to computer viruses, cyber-attacks, or breaches. We adhere to policies and procedures designed to ensure compliance with HIPAA and other privacy and information security laws and require our third-party vendors to do so as well. If, however, we or our third-party vendors experience a breach, loss, or other compromise of unsecured protected health information or other personal information, such an event could result in significant civil and criminal penalties, lawsuits, reputational harm, and increased costs to us, any of which could have a material adverse effect on our financial condition and results of operations.

Furthermore, our information technology systems, and those of our third-party vendors, are maintained with safeguards protecting against cyber-attacks. A cyber-attack that bypasses our information technology security systems, or those of our third-party vendors, could result in a material adverse effect on our business, financial condition, results of operations, or cash flows. In addition, our future results could be adversely affected due to the theft, destruction, loss, misappropriation, or release of protected health information, other confidential data or proprietary business information, operational or business delays resulting from the disruption of information technology systems and subsequent mitigation activities, or regulatory action taken as a result of such incident. We provide our employees with training and regular reminders on important measures they can take to prevent breaches. We routinely identify attempts to gain unauthorized access to our systems. However, given the rapidly evolving nature and proliferation of cyber threats, there can be no assurance our training and network security measures or other controls will detect, prevent, or remediate security or data breaches in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations. Accordingly, we may be vulnerable to losses associated with the improper functioning, security breach, or unavailability of our information systems as well as any systems used in acquired operations.

***We depend upon the cultivation and maintenance of relationships with the physicians in our markets.***

Our success is dependent upon referrals from physicians in the communities our clinics serve and our ability to maintain good relations with these physicians and other referral sources. Physicians referring patients to our clinics are free to refer their patients to other therapy providers or to their own physician owned therapy practice. If we are unable to successfully cultivate and maintain strong relationships with physicians and other referral sources, our business may decrease, and our net operating revenues may decline.

***Our business depends upon hiring, training, and retaining qualified employees.***

Our workforce costs represent our largest operating expense, and our ability to meet our labor needs while controlling labor costs is subject to numerous external factors, including market pressures with respect to prevailing wage rates and unemployment levels. We compete with rehabilitation companies and other businesses for many of our clinical and non-clinical employees, and turnover in these positions can lead to increased training and retention costs, particularly in a competitive labor market. We cannot be assured that we can continue to hire, train and retain qualified employees at current wage rates since we operate in a competitive labor market, and there are currently significant inflationary and other pressures on wages. If we are unable to hire, properly train and retain qualified employees, we could experience higher employment costs and reduced revenues, which could adversely affect our earnings.

***We depend upon our ability to recruit and retain experienced physical therapists.***

Our revenue generation is dependent upon referrals from physicians in the communities our clinics serve, and our ability to maintain good relations with these physicians. Our therapists are the front line for generating these referrals and we are dependent on their talents and skills to successfully cultivate and maintain strong relationships with these physicians. If we cannot recruit and retain our base of experienced and clinically skilled therapists, our business may decrease, and our net operating revenues may decline. Periodically, we have clinics in isolated communities that are temporarily unable to operate due to the unavailability of a therapist who satisfies our standards.

We may also experience increases in our labor costs, primarily due to higher wages and greater benefits required to attract and retain qualified healthcare personnel, and such increases may adversely affect our profitability. Furthermore, while we attempt to manage overall labor costs in the most efficient way, our efforts to manage them may have limited effectiveness and may lead to increased turnover and other challenges.

***Failure to maintain effective internal control over our financial reporting could have an adverse effect on our ability to report our financial results on a timely and accurate basis.***

We are required to produce our consolidated financial statements in accordance with the requirements of accounting principles generally accepted in the United States of America. Effective internal control over financial reporting is necessary for us to provide reliable financial reports, to help mitigate the risk of fraud and to operate successfully. We are required by federal securities laws to document and test our internal control procedures in order to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal control over financial reporting.

We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with applicable law, or our independent registered public accounting firm may not be able to issue an unqualified attestation report if we conclude that our internal control over financial reporting is not effective. If we fail to maintain effective internal control over financial reporting, or our independent registered public accounting firm is unable to provide us with an unqualified attestation report on our internal control, we could be required to take costly and time-consuming corrective measures, be required to restate the affected historical financial statements, be subjected to investigations and/or sanctions by federal and state securities regulators, and be subjected to civil lawsuits by security holders. Any of the foregoing could also cause investors to lose confidence in our reported financial information and in us and would likely result in a decline in the market price of our stock and in our ability to raise additional financing if needed in the future.



***Our revenues may fluctuate due to weather.***

We have a significant number of clinics in states that normally experience snow and ice during the winter months. Also, a significant number of our clinics are located in states along the Gulf Coast and Atlantic Coast which are subject to periodic winter storms, hurricanes and other severe storm systems. Periods of severe weather may cause physical damage to our facilities or prevent our staff or patients from traveling to our clinics, which may cause a decrease in our net operating revenues.

***We operate in a highly competitive industry.***

We encounter competition from local, regional or national entities, some of which have superior resources or other competitive advantages. Intense competition may adversely affect our business, financial condition or results of operations. For a more complete description of this competitive environment, see “Business—Competition” in Item 1. An adverse effect on our business, financial condition or results of operations may require us to write down goodwill.

***We may incur closure costs and losses.***

The competitive, economic or reimbursement conditions in our markets in which we operate may require us to reorganize or to close certain clinics. In the event a clinic is reorganized or closed, we may incur losses and closure costs. The closure costs and losses may include, but are not limited to, lease obligations, severance, and write-down or write-off of goodwill and other intangible assets.

***Future acquisitions may use significant resources, may be unsuccessful and could expose us to unforeseen liabilities.***

As part of our growth strategy, we intend to continue pursuing acquisitions of outpatient physical therapy clinics and industrial injury prevention services businesses. There can be no assurance that we will be able to successfully identify or complete future acquisitions. Acquisitions may involve significant cash expenditures, potential debt incurrence and operational losses, dilutive issuances of equity securities and expenses that could have an adverse effect on our financial condition and results of operations. Acquisitions involve numerous risks, including:

- the difficulty and expense of integrating acquired personnel into our business;
- the diversion of management’s time from existing operations;
- the potential loss of key employees of acquired companies;
- the difficulty of assignment and/or procurement of managed care contractual arrangements; and
- the assumption of the liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for failure to comply with healthcare regulations.

***Employer and other contracted customers may terminate their relationship with us which could adversely affect the business.***

In our industrial injury prevention services business, we perform services for large employers and their employees pursuant to contracts and other services agreement. These contracts and other services agreements are able to be terminated by the employer-clients on little or short notice, and either a breach or termination of those contractual arrangements by such clients could cause operating results to be less than expected. Similarly, in our rehabilitation business, we have management and other services agreements with hospitals, physician groups and other ancillary providers; either a breach or termination of those contractual arrangements by such clients could cause operating results to be less than expected.

## RISKS RELATED TO OUR COMMON STOCK

### *Issuance of shares in connection with financing transactions or under stock incentive plans will dilute current stockholders.*

Pursuant to our stock incentive plans, our Compensation Committee of the Board, consisting solely of independent directors, is authorized to grant stock awards to our employees, directors and consultants. Shareholders will incur dilution upon the exercise of any outstanding stock awards or the grant of any restricted stock. In addition, if we raise additional funds by issuing additional common stock, or securities convertible into or exchangeable or exercisable for common stock, further dilution to our existing stockholders will result, and new investors could have rights superior to existing stockholders.

### *The number of shares of our common stock eligible for future sale could adversely affect the market price of our stock.*

On December 31, 2024, we had reserved approximately 424,722 shares for future equity grants. We may issue additional restricted securities or register additional shares of common stock under the Securities Act of 1933, as amended (the “Securities Act”), in the future. The issuance of a significant number of shares of common stock upon the exercise of stock options or the availability for sale, or sale, of a substantial number of the shares of common stock eligible for future sale under effective registration statements, under Rule 144 or otherwise, could adversely affect the market price of the common stock.

### *Provisions in our articles of incorporation and bylaws could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders.*

Certain provisions of our articles of incorporation and bylaws may delay, discourage, prevent or render more difficult an attempt to obtain control of our company, whether through a tender offer, business combination, proxy contest or otherwise. These provisions include the charter authorization of “blank check” preferred stock and a restriction on the ability of stockholders to call a special meeting.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C. CYBERSECURITY

### RISK MANAGEMENT AND STRATEGY

The Company recognizes the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our patients’ health information and all our data.

#### *Managing Material Risks & Integrated Overall Risk Management*

The Company has strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. Cybersecurity considerations are an integral part of our decision-making processes where communication, data and access are involved. Our Information technology (“IT”) department works closely with our operations teams to continuously evaluate and address cybersecurity risks in alignment with our business and operational objectives. Our Chief Information Systems Officer, (“CISO”) and IT teams play an important role in assessing the cybersecurity infrastructure employed within our acquired practices to ensure that necessary security enhancements are employed in a timely manner. The Company provides annual cybersecurity awareness training to its employees to mitigate risks by educating employees regarding best practices to avoid cybersecurity related breaches.

### ***Engage Third-parties on Risk Management***

Understanding the ever-changing and complex nature of cybersecurity threats, our organization values collaboration with external experts, including cybersecurity consultants, for advisory purposes. These collaborations are aimed at enhancing our understanding and management of cybersecurity risks. Through such engagements, we seek to gain insights and recommendations on improving our risk management frameworks and responses to potential cybersecurity incidents.

This approach allows us to benefit from specialized expertise, helping ensure that our cybersecurity strategies and processes are informed by current industry insights. While these collaborations are not mandated, they are encouraged as part of our commitment to maintaining a vigilant and adaptive cybersecurity posture in line with evolving best practices.

### ***Oversee Third-party Risk***

Aware of the potential risks posed by third-party service providers, our Company takes steps to perform security-related diligence on such providers. This diligence process aims to understand and evaluate the security measures and practices of our third-party partners. Our approach includes reviewing available information and seeking insights into their security and data management practices. This method is part of our broader strategy to mitigate the risks associated with data breaches or other security incidents that may arise from third-party engagements.

### ***Risks from Cybersecurity Threats***

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing. While we have experienced cybersecurity incidents within several of our partnership subsidiaries over the years, these incidents have not been material, as each incident (i) has been isolated to certain segregated IT environments, (ii) has affected relatively few patients and their associated health information, and/or (iii) had a low probability of compromised data. Each of the foregoing cybersecurity incidents has been remediated in the ordinary course of business. However, we could experience a cybersecurity incident that materially affects us in the future. See “Risk Factors” in Item 1A on this Form-10K for additional discussion of cybersecurity risks to our business.

### ***Governance***

The Board of Directors recognizes the significance of cybersecurity threats to the Company’s operational integrity, data security and stakeholders. The Board of Directors is acutely aware of the critical nature of managing risks associated with cybersecurity threats and sees this as a major priority for the company. The Board has established oversight mechanisms to ensure effective governance in managing risks associated with cybersecurity threats.

### ***Board of Directors Oversight***

The Compliance Committee is central to the Board’s oversight of cybersecurity risks and bears the primary responsibility for this domain. The Compliance Committee is composed of board members with diverse expertise, including risk management, technology, health care operations, and finance, equipping them to oversee cybersecurity risks effectively. In addition, each of the directors on the Compliance Committee has completed the Diligent Cyber Risk and Strategy Certification Program, developed by Diligent Corporation, a leading corporate governance technology company, which teaches cyber literacy for corporate directors to effectively govern significant enterprise-wide cyber risks and have meaningful conversations with management.

### ***Management’s Role Managing Risk***

The CISO plays a pivotal role in informing the Compliance Committee on cybersecurity risks. The CISO, in concert with the Chief Compliance Officer and General Counsel, provides comprehensive briefings to the Compliance Committee on a regular basis. These briefings encompass a broad range of topics, including:

- Current cybersecurity landscape and emerging threats;
- Status of ongoing cybersecurity initiatives and strategies;
- Incident reports and learnings from any cybersecurity events; and
- Compliance with regulatory requirements and industry standards.

In addition to our scheduled meetings, the Compliance Committee and management maintain an ongoing dialogue regarding emerging or potential cybersecurity risks. The Compliance Committee actively participates in strategic decisions related to cybersecurity. This involvement ensures that cybersecurity considerations are integrated into the Company's broader strategic objectives.

#### ***Risk Management Personnel***

Primary responsibility for assessing, monitoring and managing our cybersecurity risks rests with the CISO, Mr. Chadd Pence. With over 25 years of experience in the field of IT and cybersecurity, Mr. Pence brings a wealth of expertise to his role. His background includes experience as an enterprise CISO and his knowledge and experience are instrumental in developing and executing our cybersecurity strategies. Our CISO oversees our cybersecurity efforts and governance programs, tests our compliance with standards, remediates known risks, and provides regular guidance to management and the Board on these areas. In addition, to supplement this expertise, we periodically engage external experts, including cybersecurity consultants, to help us evaluate our risk management related policies and to help us to review and remediate cybersecurity incidents.

#### ***Monitor Cybersecurity Incidents***

The CISO is continually informed about the latest developments in cybersecurity, including potential threats and innovative risk management techniques. This ongoing knowledge acquisition is crucial for effective prevention, detection, mitigation, and remediation of cybersecurity incidents. The CISO implements and oversees processes for the regular monitoring of our information systems. This includes the deployment of a variety of security measures and system audits to identify potential vulnerabilities. In the event of a cybersecurity incident, the CISO is equipped with a well-defined incident response plan. This plan includes immediate actions to mitigate the impact and long-term strategies for remediation and prevention of future incidents.

#### ***Reporting to Board of Directors***

The CISO, in his capacity, regularly informs our Chief Financial Officer, President, and Chief Executive Officer of all aspects related to cybersecurity risks and incidents. This ensures that the highest levels of management are kept abreast of the cybersecurity posture and potential risks facing the Company. Furthermore, significant cybersecurity matters, and strategic risk management decisions are escalated to the Compliance Committee and the full Board of Directors, ensuring that they have comprehensive oversight and can provide guidance on critical cybersecurity issues.

### **ITEM 2. PROPERTIES**

We lease the properties used for our clinics under non-cancellable operating leases, commonly with terms ranging from five to ten years (a range of one year to 15.0 years), with the exception of the property for one clinic which we own. We intend to lease the premises for any new clinic location except in rare instances where leasing is not a cost-effective alternative. Our typical clinic occupies 1,000 to 7,000 square feet of leased space in an office building or shopping center. There are 20 clinics occupying space in the range of over 7,000 square feet to 16,500 square feet.

We also lease our executive offices located in Houston, Texas, under a non-cancelable operating lease expiring in February 2028. We currently lease approximately 44,000 square feet of space (including allocations for common areas) at our executive offices.

### **ITEM 3. LEGAL PROCEEDINGS**

We are a party to various legal actions, proceedings, and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of our business. We cannot predict the ultimate outcome of pending litigation, proceedings, regulatory and other governmental audits and investigations. These matters could potentially subject the Company to sanctions, damages, recoupments, fines, and other penalties. The Department of Justice, CMS, or other federal and state enforcement and regulatory agencies may conduct additional investigations related to our businesses in the future that may, either individually or in the aggregate, have a material adverse effect on our business, financial position, results of operations, and liquidity.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. We have been a defendant in these cases in the past and may be named as a defendant in similar cases from time to time in the future.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock has traded on the New York Stock Exchange ("NYSE") since August 14, 2012, under the symbol "USPH". As of March 3, 2025, there were 85 holders of record of our outstanding common stock.

**DIVIDENDS**

Our Board of Directors declared the following dividends during the year ended December 31, 2024:

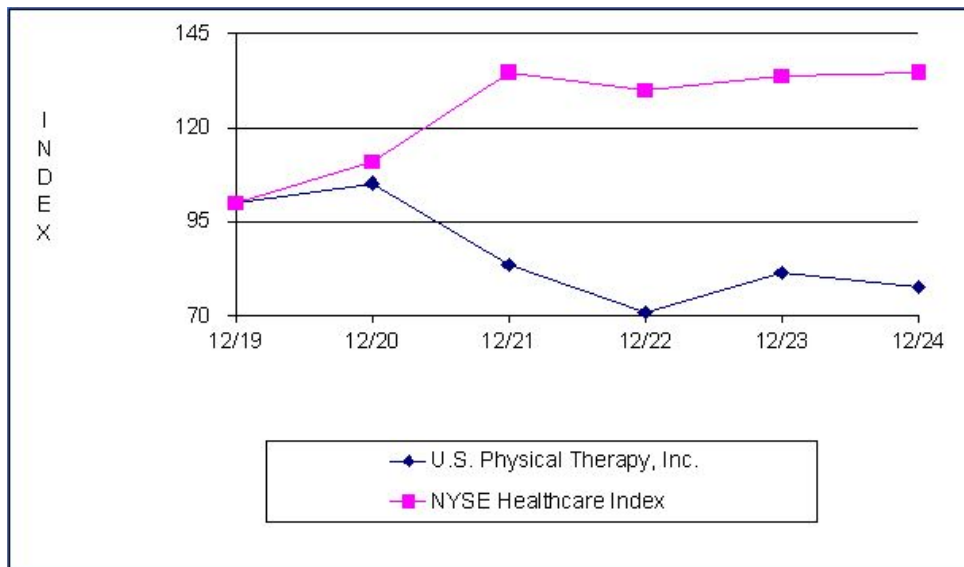
<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend Per Share</b>	<b>Aggregate Amount (In thousands)</b>
2/27/2024	3/12/2024	4/5/2024	\$ 0.44	\$ 6,630
5/7/2024	5/23/2024	6/14/2024	\$ 0.44	6,634
8/12/2024	8/23/2024	9/13/2024	\$ 0.44	6,634
11/4/2024	11/15/2024	12/6/2024	\$ 0.44	6,642

There is no assurance that future dividends will be declared. The declaration and payment of dividends in the future are at the discretion of our Board of Directors after taking into account various factors, including, but not limited to, our financial condition, operating results, available cash and current and anticipated cash needs, and the terms of our Credit Agreement (as defined in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"). We are currently restricted from paying dividends on our common stock in excess of \$50,000,000 in any fiscal year on our common stock under the Credit Agreement.

**FIVE YEAR PERFORMANCE GRAPH**

The following performance graph compares the cumulative total stockholder return of our common stock to The NYSE Composite Index and the NYSE Health Care Index for the period from December 31, 2019 through December 31, 2024. The graph assumes that \$100 was invested in our common stock and the common stock of each of the companies listed on The NYSE Composite Index and The NYSE Health Care Index on December 31, 2019 and that any dividends were reinvested.

Comparison of Five Years Cumulative Total Return for the Year Ended December 31, 2024



	12/19	12/20	12/21	12/22	12/23	12/24
U. S. Physical Therapy, Inc.	100	105	84	71	81	78
NYSE Healthcare Index	100	111	135	130	134	135

The foregoing performance graph and related description shall not be deemed incorporated by reference into any filing under the Securities Act or under the Exchange Act, except to the extent that we specifically incorporate this information by reference. In addition, the performance graph and the related description shall not be deemed “soliciting material” or “filed” with the SEC or subject to Regulation 14A or 14C.

**ITEM 6. RESERVED**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of U.S. Physical Therapy, Incl and its subsidiaries (herein referred to as "we", "us", "our" or the "Company") should be read in conjunction with the Company's consolidated financial statements and accompanying notes included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" and "Forward-Looking Statements" sections of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

This section of this Annual Report on Form 10-K generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission on February 29, 2024.

**EXECUTIVE SUMMARY**

U.S. Physical Therapy, Inc. and our subsidiaries (collectively, "we", "us", "our" or the "Company"), operate our business through two reportable business segments. Our reportable segments consist of the physical therapy operations segment and the industrial injury prevention services ("IIP") segment. Through our subsidiaries, we operate and/or manage outpatient physical therapy clinics that provide pre-and post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurological-related injuries and rehabilitation of injured workers. We also have a majority interest in businesses which are leading providers of industrial injury prevention services. Services provided in this business include onsite injury prevention and rehabilitation, performance optimization, post-offer employment testing, functional capacity evaluations and ergonomic assessments. The majority of the IIP services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. These services are performed through Industrial Sports Medicine Professionals, consisting primarily of specialized certified athletic trainers.

During the last three years, we completed the following acquisitions of outpatient physical therapy practices, companies that manage and/or provide administrative services to outpatient physical therapy practices, and IIP businesses detailed below:

<b>Acquisition</b>	<b>Date</b>	<b>% Interest Acquired</b>	<b>Number of Clinics</b>
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9
October 2023 Acquisition	October 31, 2023	***	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1
November 2022 Acquisition	November 30, 2022	80%	13
October 2022 Acquisition	October 31, 2022	60%	14
September 2022 Acquisition	September 30, 2022	80%	2
August 2022 Acquisition	August 31, 2022	70%	6
March 2022 Acquisition	March 31, 2022	70%	6

\* IIP business

\*\* On April 30, 2024, one of our primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.

\*\*\* On October 31, 2023, we concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business ("October 2023 Acquisition").

The following table provides a roll forward of our clinic count for the periods presented.

**Clinic Count Roll Forward <sup>(1)</sup>**

	<b>For the Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Number of clinics owned or managed, beginning of period	671	640
Additions <sup>(2)</sup>	103	46
Closed or sold	(45)	(15)
Number of clinics owned or managed, end of period	<u>729</u>	<u>671</u>

(1) The Company also manages clinics owned by third parties through management contracts. In addition to the clinic count shown above, as of December 31, 2024, the Company managed 39 clinics bringing the total owned/managed clinics to 768. As of December 31, 2023, the Company managed 43 clinics bringing the total owned/managed clinics to 714.

(2) Includes clinics added through acquisitions.

Our strategy is to continue acquiring outpatient physical therapy practices, develop outpatient physical therapy clinics as satellites in existing partnerships, and continue acquiring companies that manage outpatient physical therapy clinics or provide or serve our IIP sector.

In May 2023, we completed a secondary offering of 1,916,667 shares of its common stock at an offering price of \$90.00 per share. Upon completion of the offering, we received net proceeds of approximately \$163.6 million, after deducting an underwriting discount of \$8.6 million and recognizing related fees and expenses of \$0.2 million. A portion of the net proceeds was used to repay the \$35.0 million then outstanding under our credit agreement while the remainder was used primarily for additional acquisitions.

On February 3, 2025, we completed the sales process that began in 2024 for a business unit within the physical therapy operations segment. In connection with the sales process, the assets and liabilities of the clinics sold were revalued as of December 31, 2024, and an impairment of approximately \$2.4 million was included in the accompanying Consolidated Statements of Net Income in Item 8. The sale closed at a price of \$0.7 million.

On February 25, 2025, our Board of Directors raised our quarterly dividend rate from \$0.44 per share to \$0.45 per share and declared a quarterly dividend for the first quarter of 2025 at the higher rate. The dividend will be payable on April 11, 2025, to shareholders of record on March 14, 2025.

On February 28, 2025, we acquired a 65% interest in a physical therapy practice with three clinic locations. The prior owners retained a 35% ownership interest.

**Medicare Reimbursement**

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule ("MPFS"). Outpatient rehabilitation providers may enroll in Medicare as institutional outpatient rehabilitation facilities (i.e., rehab agencies) or individual physical or occupational therapists in private practice. The majority of our clinicians are enrolled as individual physical or occupational therapists in private practice while the remaining balance of providers are reimbursed through enrolled rehab agencies.



For calendar years 2021, 2022 and 2023, Centers for Medicare and Medicaid Services (“CMS”) expected decreases in Medicare reimbursement were partially offset by one-time increases in payments as a result of other legislation passed by Congress, resulting in decreases of approximately 3.5%, 0.75% and 2.0% in each of these years, respectively. For January 1 through March 8 of 2024, CMS’s final rule resulted in an approximate 3.5% decrease in Medicare payments for the therapy specialty. However, effective as of March 9, 2024, pursuant to the Consolidated Appropriations Act, 2024, Congress minimized the reduction in Medicare payments for therapy services for the balance of 2024, resulting in an approximate 1.8% reduction in Medicare payments for therapy services (rather than the 3.5% decrease). The MPFS proposed by CMS for 2025 will decrease Medicare reimbursement for therapy services by approximately 2.9% as compared to the reimbursement rates in effect for most of 2024.

In the final 2020 MPFS rule, CMS clarified that when the physical therapist is involved for the entire duration of the service and the physical therapist assistant (“PTA”) provides skilled therapy alongside the physical therapist, an identification of the PTA’s participation (as denoted by a “CQ modifier”) is not required. Also, when the same service (code) is furnished separately by the physical therapist and PTA, CMS applies the de minimis standard to each 15-minute unit of codes, not on the total physical therapist and PTA time of the service. For dates of service on and after January 1, 2022, CMS pays for physical therapy and occupational therapy services provided by PTAs and occupational therapist assistants (“OTAs”) at 85% of the otherwise applicable Part B payment amount. CMS allows a timed service to be billed without a CQ (for PTA’s) or CO (for OTA’s) modifier when a PTA or OTA participates in providing care, but the physical therapist or occupational therapist meets the Medicare billing requirements without including the PTA’s or OTA’s minutes. This occurs when the physical therapist or occupational therapist provides more minutes than the 15-minute midpoint. The proposed 2025 MPFS final rule does not contain any policy changes concerning the modifiers for services provided by physical therapy and occupational therapist assistants.

## RESULTS OF OPERATIONS

The defined terms with their respective description used in the following discussion are listed below:

Mature clinics are clinics opened or acquired prior to January 1, 2023, and are still operating as of the balance sheet date.

Net rate per patient visit is net patient revenue related to our physical therapy operations divided by total number of patient visits (defined below) during the periods presented.

Patient visits is the number of unique patient visits during the periods presented.

Average daily visits per clinic is patient visits divided by the number of days in which normal business operations were conducted during the periods presented and further divided by the average number of clinics in operation during the periods presented.

Clinics are outpatient physical therapy clinics that are either owned or managed by the Company or one of its subsidiaries.

2024 Year period covering the twelve months ended December 31, 2024.

2023 Year period covering the twelve months ended December 31, 2023.

**Full Year 2024 versus Full Year 2023**

	For the Year Ended				Variance	
	December 31, 2024		December 31, 2023		\$	%
	(In thousands, except percentages)					
Net patient revenue	\$ 560,553	83.5%	\$ 514,556	85.1%	\$ 45,997	8.9%
Other revenue	110,792	16.5%	90,246	14.9%	20,546	22.8%
Net revenue	671,345	100.0%	604,802	100.0%	66,543	11.0%
<b>Operating Cost:</b>						
Salaries and related costs	399,394	59.5%	353,390	58.4%	46,004	13.0%
Rent, supplies, contract labor and other	118,910	17.7%	108,596	18.0%	10,314	9.5%
Depreciation and amortization	17,853	2.7%	14,960	2.5%	2,893	19.3%
Provision for credit losses	6,912	1.0%	6,172	1.0%	740	12.0%
Clinic closure costs - lease and other	4,355	0.6%	175	0.0%	4,180	*
Total operating cost	547,424	81.5%	483,293	79.9%	64,131	13.3%
Gross Profit	123,921	18.5%	121,509	20.1%	2,412	2.0%
Corporate office costs	58,290	8.7%	51,953	8.6%	6,337	12.2%
Impairment of goodwill and other intangible assets	-	0.0%	17,495	2.9%	(17,495)	*
Impairment of assets held for sale	2,418	0.4%	-	*	2,418	*
Operating Income	63,213	9.4%	52,061	8.6%	11,152	21.4%
<b>Other (expense) income:</b>						
Interest expense, debt and other	(8,015)	-1.2%	(9,303)	-1.5%	1,288	-13.8%
Interest income from investments	3,941	0.6%	3,774	0.6%	167	4.4%
Change in fair value of contingent earn-out consideration	(219)	0.0%	(1,550)	-0.3%	1,331	-86%
Change in revaluation of put-right liability	(82)	0.0%	2,582	0.4%	(2,664)	-103.2%
Equity in earnings of unconsolidated affiliate	1,014	0.2%	955	0.2%	59	6.2%
Relief Funds	-	0.0%	467	0.1%	(467)	*
Other	357	0.1%	390	0.1%	(33)	-8.5%
Total other expense	(3,004)	-0.4%	(2,685)	-0.4%	(319)	11.9%
Income before taxes	60,209	9.0%	49,376	8.2%	10,833	21.9%
Provision for income taxes	14,609	2.2%	12,156	2.0%	2,453	20.2%
Net income	45,600	6.8%	37,220	6.2%	8,380	22.5%
<b>Less: Net income attributable to non-controlling interest:</b>						
Redeemable non-controlling interest - temporary equity	(10,044)	-1.5%	(4,426)	-0.7%	(5,618)	126.9%
Non-controlling interest - permanent equity	(4,132)	-0.6%	(4,555)	-0.8%	423	-9.3%
	(14,176)	-2.1%	(8,981)	-1.5%	(5,195)	57.8%
Net income attributable to USPH shareholders	\$ 31,424	4.7%	\$ 28,239	4.7%	\$ 3,185	11.3%

\* Not meaningful

Total net revenue 2024 Year increased \$66.5 million, or 11.0%, to \$671.3 million from \$604.8 million for the 2023 Year while operating costs increased \$64.1 million, or 13.3%, to \$547.4 million from \$483.3 million over the same periods, respectively. These increases were primarily due to the increase in visits from the 58 net new clinic additions during 2024 Year.

Gross profit, which included \$4.4 million of costs associated with the 45 clinic closures, was \$123.9 million, or 18.5% of net revenue, during the 2024 Year compared to \$121.5 million, or 20.1% of net revenue, for the 2023 Year. Excluding the clinic closure costs, Adjusted gross profit <sup>(1)</sup>, for the 2024 Year was \$128.3 million, or 19.1% of net revenue, compared to \$121.7 million, or 20.1% of net revenue, for the 2023 Year.

USPH Net Income was \$31.4 million for the 2024 Year compared to \$28.2 million for the 2023 Year. For the 2024 Year, USPH Net Income included a charge of \$4.4 million (prior to allocation of the related minority interest and income taxes) related to the closure of 45 underperforming clinics, a non-cash charge of \$2.4 million (prior to allocation of income taxes) related to the impairment of assets held for sale and a \$1.0 million true-up of income tax expense. For the 2023 Year, USPH Net Income included a charge of \$17.5 million (prior to the allocation of minority interest and income taxes) related to the impairment of goodwill and other intangible assets.

In accordance with GAAP, the revaluation of noncontrolling interest, net of taxes, is not included in net income but is charged directly to retained earnings; however, this change is included in the computation of earnings per share. Earnings per share, was \$1.84 for the 2024 Year compared to \$1.28 in the 2023 Year.

(1) These are non-GAAP Measures. See below for the definition and reconciliation of non-GAAP measures to the most directly comparable GAAP measure.

The table below shows the calculation of earnings per share for the periods presented.

	For the Year Ended	
	December 31, 2024	December 31, 2023
(In thousands, except per share data)		
Computation of earnings per share - USPH shareholders:		
Net income attributable to USPH shareholders	\$ 31,424	\$ 28,239
Charges to retained earnings:		
Revaluation of redeemable non-controlling interest	(4,964)	(13,565)
Tax effect at statutory rate (federal and state)	1,268	3,466
	<u>\$ 27,728</u>	<u>\$ 18,140</u>
Earnings per share (basic and diluted)	<u>\$ 1.84</u>	<u>\$ 1.28</u>
Shares used in computation:		
Basic and diluted earnings per share - weighted-average shares	<u>15,064</u>	<u>14,188</u>

#### Non-GAAP Measures

The following tables provide details of the basic and diluted earnings per share computation and reconcile net income attributable to USPH shareholders calculated in accordance with GAAP to Adjusted EBITDA, Operating Results and other non-GAAP measures. Management believes providing Adjusted EBITDA, Operating Results, and other non-GAAP measures to investors is useful information for comparing the Company's period-to-period results as well as for comparing with other similar businesses since most do not have redeemable instruments and therefore have different equity structures. Additionally, management believes that these non-GAAP measures provide useful supplemental information to investors, analysts, and other stakeholders in assessing the Company's operational performance and financial trends. Management uses Adjusted EBITDA, Operating Results and other non-GAAP measures, which eliminate certain items described above that can be subject to volatility and unusual costs, as the principal measures to evaluate and monitor financial performance period over period.

Adjusted EBITDA, a non-GAAP measure, is defined as net income attributable to our shareholders before interest income, interest expense, taxes, depreciation, amortization, change in fair value of contingent earn-out consideration, payments received from the federal government under the Corona virus Aid, Relief and Economic Security Act ("Relief Funds"), non-cash impairment charges, changes in revaluation of put-right liability, equity-based awards compensation expense, clinic closure costs, business acquisition related costs and other income and related portions for non-controlling interests.

Operating Results, a non-GAAP measure, equals net income attributable to our shareholders less, changes in revaluation of a put-right liability, Relief Funds, non-cash impairment charges, clinic closure costs, changes in fair value of contingent earn-out consideration, business acquisition related costs and any allocations to non-controlling interests, all net of taxes. Operating Results per share also excludes the impact of the revaluation of redeemable non-controlling interest and the associated tax impact.

Adjusted EBITDA, Operating Results and other non-GAAP measures presented are not measures of financial performance under GAAP. Adjusted EBITDA, Operating Results and other non-GAAP measures should not be considered in isolation or as an alternative to, or substitute for, net income attributable to our shareholders presented in the consolidated financial statements.

The tables below define and reconcile non-GAAP Adjusted EBITDA and non-GAAP Operating Results to the most directly comparable GAAP measure.

	For the Year Ended	
	December 31, 2024	December 31, 2023
	(In thousands, except per share data)	
<b>Adjusted EBITDA (a non-GAAP measure)</b>		
Net income attributable to USPH shareholders	\$ 31,424	\$ 28,239
Adjustments:		
Provision for income taxes	14,609	12,156
Depreciation and amortization	18,681	15,695
Interest expense, debt and other, net	8,015	9,303
Interest income from investments	(3,941)	(3,774)
Impairment of goodwill and other intangible assets	-	17,495
Impairment of assets held for sale	2,418	-
Equity-based awards compensation expense	7,823	7,236
Change in revaluation of put-right liability	82	(2,582)
Change in fair value of contingent earn-out consideration	219	1,550
Clinic closure costs (1)	4,355	175
Business acquisition related costs (2)	819	-
Relief Funds	-	(467)
Other income	(357)	(390)
Allocation to non-controlling interests	(2,379)	(6,724)
	<u>\$ 81,768</u>	<u>\$ 77,912</u>
<b>Operating Results (a non-GAAP measure)</b>		
Net income attributable to USPH shareholders	\$ 31,424	\$ 28,239
Adjustments:		
Impairment of goodwill and other intangible assets	-	17,495
Impairment of assets held for sale	2,418	-
Change in fair value of contingent earn-out consideration	219	1,550
Change in revaluation of put-right liability	82	(2,582)
Clinic closure costs (1)	4,355	175
Business acquisition related costs (2)	819	-
Relief Funds	-	(467)
Allocation to non-controlling interest	(521)	(5,196)
Tax effect at statutory rate (federal and state)	(1,884)	(2,804)
	<u>\$ 36,912</u>	<u>\$ 36,410</u>
Operating Results per share (a non-GAAP measure)	<u>\$ 2.45</u>	<u>\$ 2.57</u>

(1) Costs associated with the closure of 45 clinics during the 2024 Year. Closure costs in the 2023 Year were not material.

(2) Primarily consists of legal and consulting expenses related to the acquisition of 50% equity interest in a management services organization that provides management and administrative services to 50 physical therapy clinics.

Adjusted EBITDA <sup>(1)</sup>, a non-GAAP measure, was \$81.8 million for the 2024 Year, an increase of \$3.9 million, from \$77.9 million for the 2023 Year.

Operating Results <sup>(1)</sup>, a non-GAAP measure, was \$36.9 million for 2024 Year, an increase of \$0.5 million, from \$36.4 million in the 2023 Year. On a per share basis, Operating Results were \$2.45 in the 2024 Year compared to \$2.57 in the 2023 Year due to the increase in the number of shares outstanding associated with the Company's secondary offering completed in May 2023. In addition, the 2024 Year includes a \$1.0 million true-up of income tax expense recorded during the three months ended December 31, 2024.

The tables below reconcile other non-GAAP measures to the most directly comparable GAAP measures.

	For the Year Ended							
	December 31, 2024				December 31, 2023			
	As Reported (GAAP)	Closure Costs (1)	Non-Cash Impairment (2)	As Adjusted (Non-GAAP)	As Reported (GAAP)	Closure Costs (1)	Non-Cash Impairment (2)	As Adjusted (Non-GAAP)
	(in thousands, except per share data, and percentages)							
Operating costs	\$ 547,424	\$ (4,355)	\$ -	\$ 543,069	\$ 483,293	\$ (175)	\$ -	\$ 483,118
Gross profit	123,921	4,355	-	128,276	121,509	175	-	121,684
Gross margin	18.5%	*	*	19.1%	20.1%	*	*	20.1%
Operating income	63,213	4,355	2,418	69,986	52,061	175	17,495	69,731
Provision for taxes	14,609	(1,113)	(618)	12,878	12,156	(45)	(3,129)	8,982
Minority interest	(14,176)	492	-	(13,684)	(8,981)	20	(5,249)	(14,210)
USPH Net Income	31,424	3,734	1,800	36,958	28,239	150	9,117	37,506
Earnings per share	\$ 1.84	0.25	0.12	\$ 2.21	\$ 1.28	0.01	\$ 0.64	\$ 1.93
<u>Segment information - Physical Therapy Operations</u>								
Operating costs	\$ 470,485	\$ (4,355)	\$ -	\$ 466,130	\$ 421,484	\$ (175)	\$ -	\$ 421,309
Gross profit	103,948	4,355	-	108,303	105,064	175	-	105,239
Gross margin	18.1%	*	*	18.9%	20.0%	*	*	20.0%

(1) Costs associated with the closure of 45 clinics during the 2024 Year. Closure costs for the comparable prior year periods were not material. We believe that presenting this information will allow investors to evaluate the performance of the Company's business more objectively.

(2) A non-cash impairment charge of \$2.4 million was recognized during the three months ended December 31, 2024, related to the impairment of assets held for sale, while \$17.5 million of a non-cash impairment charge was recognized during the three months ended December 31, 2023, related to a reporting unit in the Company's IIP segment.

\* Not meaningful

**Physical Therapy Operations**

	For the Year Ended		Variance	
	December 31, 2024	December 31, 2023	\$	%
(In thousands, except percentages)				
Revenue related to:				
Mature Clinics (1)	\$ 501,304	\$ 489,233	\$ 12,071	2.5%
Clinic additions (2)	52,943	12,406	40,537	326.8%
Clinics sold or closed (3)	6,306	12,917	(6,611)	(51.2)%
Net Patient Revenue	560,553	514,556	45,997	8.9%
Other (4)	13,880	11,992	1,888	15.7%
Total	574,433	526,548	47,885	9.1%
Operating costs (4)	470,485	421,484	49,001	11.6%
Gross profit	\$ 103,948	\$ 105,064	\$ (1,116)	(1.1)%

**Financial and operating metrics (not in thousands):**

Net rate per patient visit (1)	\$ 104.71	\$ 102.80	\$ 1.91	1.9%
Patient visits (1)	5,353,189	5,005,426	347,763	6.9%
Average daily visits per clinic (1)	30.4	30.0	0.4	1.3%
Gross margin	18.1%	20.0%		
Gross margin excluding closure costs, non-GAAP (6)	18.9%	20.0%		
Salaries and related costs per visit, clinics (5)	\$ 61.66	\$ 59.19	\$ 2.47	4.2%
Operating costs per visit, clinics (5)	\$ 86.43	\$ 82.79	\$ 3.64	4.4%
Operating costs per visit, clinics, excluding closure costs, non-GAAP (6)	\$ 85.61	\$ 82.75	\$ 2.86	3.5%
Number of clinics at the end of the period	729	671	58.0	8.6%

(1) See *defined terms* above for definitions.

(2) Clinic additions during the years ended 2024 and 2023.

(3) Revenue from closed clinics includes revenue from the 45 and 15 clinics closed during the full year December 31, 2024 and 2023, respectively.

(4) Includes revenues and costs from management contracts.

(5) Per visit costs excludes management contract costs.

(6) Excludes closure costs during the twelve months ended; refer to reconciliation of non-GAAP measured to most comparable GAAP measures for more information.

**Revenues**

Revenues from physical therapy operations increased \$47.9 million, or 9.1%, to \$574.4 million in the 2024 Year compared to \$526.5 million in the 2023 Year. This increase was primarily due to the increase in volume from the 58 net clinics added since the comparable prior year period, a 1.5% increase in volume at mature clinics and an increase in net rate per patient visit to \$104.71 for the 2024 Year from \$102.80 for the 2023 Year. The increase in net rate per patient visit was mainly driven by higher reimbursement rates from commercial and other payors as a result of contract negotiations as well as an increase in workers compensation as a percent of our total net patient revenues.

Other revenue was \$13.9 million for the 2024 Year and \$12.0 million for the 2023 Year, of which management contracts was \$9.8 million for the 2024 Year as compared to \$8.6 million for the 2023 Year.

**Operating costs**

Operating costs increased by \$49.0 million or 11.6% to \$470.4 million for the 2024 Year from \$421.4 million in the 2023 Year. The increase was primarily due to the higher volume from the new clinics added since the comparable year period as well as increased patient visits in Mature Clinics. On a per visit basis (excluding management contracts), operating costs increased to \$86.43 for the 2024 Year compared to \$82.79 for the 2023 Year.

Salaries and related costs, clinics (excluding management contracts) increased to \$330.1 million in the 2024 Year from \$296.3 million in the 2023 Year, an increase of \$33.8 million, or 11.4% mostly due to the new clinics added year over year as well as increased volume from Mature Clinics. Salaries and related costs per visit (excluding management contracts), related to clinics increased to \$61.66 for the 2024 Year from \$59.19 for the 2023 Year.

Rent, supplies, contract labor and other costs, related to clinics (excluding management contracts) increased to \$104.6 million in the 2024 Year from \$97.2 million in the 2023 Year, an increase of \$7.4 million, or 7.6% mostly due to clinic additions. Rent, supplies, contract labor and other per visit (excluding management contracts), related to clinics increased slightly to \$19.53 for the 2024 Year from \$19.43 for the 2023 Year.

Depreciation and amortization increased to \$16.7 million in 2024 Year from \$14.5 million in the 2023 Year, an increase of \$2.2 million, or 15.1% primarily due to additional clinics in the 2024 Year compared to the 2023 Year.

Clinic closure costs increased to \$4.4 million in the 2024 Year from \$0.2 million in the 2023 Year, due to the closure of 45 underperforming clinics in the 2024 Year.

The provision for credit losses was \$6.9 million for the 2024 Year and \$6.2 million for the 2023 Year. As a percentage of net revenues, the provision for credit losses were 1.0% for both 2024 and 2023.

### **Gross Profit**

Gross profit from physical therapy operations, which included \$4.4 million of costs associated with the 45 clinic closures, was \$103.9 million, or 18.1% of net revenue, for the 2024 Year compared to \$105.1 million, or 20.0% of net revenue, for the 2023 Year. Excluding the clinic closure costs, adjusted physical therapy gross profit<sup>(1)</sup> was \$108.3 million, or 18.9% of net revenue, in the 2024 Year compared to \$105.2 million, or 20.0% of net revenue, in the 2023 Year.

### **Industrial Injury Prevention Services**

	For the Year Ended		Variance	
	December 31, 2024	December 31, 2023	\$	%
	(In thousands, except percentages)			
Net revenue	\$ 96,912	\$ 78,254	\$ 18,658	23.8%
Operating costs	76,939	61,809	15,130	24.5%
Gross profit	\$ 19,973	\$ 16,445	\$ 3,528	21.5%
Gross margin	20.6%	21.0%		

Revenues from IIP increased \$18.7 million, or 23.8%, to \$96.9 million for the 2024 Year from \$78.3 million for the 2023 Year. Gross profit from IIP operations increased \$3.5 million, or 21.5%, to \$20.0 million for the 2024 Year from \$16.4 million for the 2023 Year while the gross profit margin from IIP operations was 20.6% for the 2024 Year compared to 21.0% for the 2023 Year.

### **Corporate Office Costs**

Corporate office costs were \$58.3 million, or 8.7% of net revenue, in the 2024 Year, compared to \$52.0 million, or 8.6% of net revenue, in the 2023 Year. The increase in corporate office costs was primarily due to higher salaries and related costs to support the larger number of clinics.

### **Impairment of Goodwill and Other Intangible Assets, and Assets Held for Sale**

A non-cash impairment charge of \$2.4 million was recognized during the 2024 Year related to the impairment of assets held for sale while a non-cash impairment charge of \$17.5 million was recognized during the 2023 Year related to the reporting unit in the Company's IIP segment.

### **Operating Income**

Operating income was \$63.2 million for the 2024 Year compared to \$52.1 million for the 2023 Year. Excluding the clinic closure costs and non-cash impairment charges, adjusted operating income<sup>(1)</sup> was \$70.0 million during the 2024 Year compared to \$69.7 million during the 2023 Year.

### **Other (Expenses) Income**

#### *Interest Expense, Debt and Other*

Interest expense, debt and other was \$8.0 million compared to \$9.3 million in the 2023 Year, with the decrease primarily due to lower outstanding borrowings with proceeds from the Company's secondary offering completed in May 2023. The interest rate on the Company's term loan was 4.7% for the 2024 Year and 4.9% for the 2023 Year, with an all-in effective interest rate on the credit facility including all associated costs, of 5.5% and 5.3% over the same periods, respectively.

*Interest income from investment*

Interest income from investment amounted to \$3.9 million for the 2024 Year and \$3.8 million for 2023 Year. This interest income is a result of investing excess cash associated with proceeds from our secondary offering completed in May 2023.

*Change in fair value of contingent earn-out consideration and put-right liabilities*

We revalued contingent earn-out consideration related to certain acquisitions resulting in an expense of \$0.2 million for the 2024 Year compared to \$1.6 million for the 2023 Year.

For the 2024 Year, we recorded a loss of \$0.1 million on the valuation of the put-right liability compared to a \$2.6 million gain for the 2023 Year. The put-right relates to the potential future purchase of a company that provides physical therapy and rehabilitation services to hospitals and other ancillary providers in a distinct market area.

*Equity in earnings of unconsolidated affiliate*

We recognized income of \$1.0 million for both the 2024 Year and the 2023 Year from a joint venture which provides physical therapy services for patients at hospitals. Since we are deemed to not have a controlling interest in the joint venture, our investment is accounted for using the equity method of accounting.

**Provision for Income Taxes**

The provision for income tax was \$14.6 million for the 2024 Year and \$12.2 million for the 2023 Year while the effective tax rate was 31.7% and 30.1% over the same periods, respectively. The 2024 Year includes a \$1.0 million true-up of income tax expense. The following table shows the calculation of our effective tax rate for the periods presented.

	<b>For the Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>(In thousands, except percentages)</b>	
Income before taxes	\$ 60,209	\$ 49,376
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(10,044)	(4,426)
Non-controlling interest - permanent equity	(4,132)	(4,555)
	<u>\$ (14,176)</u>	<u>\$ (8,981)</u>
Income before taxes less net income attributable to non-controlling interest	<u>\$ 46,033</u>	<u>\$ 40,395</u>
Provision for income taxes	<u>\$ 14,609</u>	<u>\$ 12,156</u>
Effective income tax rate	<u>31.7%</u>	<u>30.1%</u>

**Net Income Attributable to Non-controlling Interest**

Net income attributable to redeemable non-controlling interest (temporary equity) was \$10.0 million for the 2024 Year and \$4.4 million for the 2023 Year. Net income attributable to non-controlling interest (permanent equity) was \$4.1 million for the 2024 Year and \$4.6 million for the 2023 Year.



### **Other Comprehensive Income**

We entered into an interest rate swap agreement in May 2022, which became effective on June 30, 2022. The maturity date of the swap agreement is June 30, 2027. It has a \$150 million notional value adjusted concurrently with scheduled principal payments made on the term loan. Beginning in July 2022, we pay a fixed one-month Secured Overnight Financing Rate (“SOFR”) of interest of 2.815%. The total interest rate in any period also includes an applicable margin based on the Company’s consolidated leverage ratio. In the 2024 Year, our interest rate including the applicable margin was 4.7%. Unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulated other comprehensive income (loss), net of tax.

The fair value of the interest rate swap was \$3.8 million, and \$3.7 million at December 31, 2024 and December 31, 2023 respectively, which has been included within other assets (current and long term) in the Consolidated Balance Sheet. The impact of the interest rate swap on the accompanying Consolidated Statements of Comprehensive Income was an unrealized gain of less than \$0.1 million, net of tax, for the 2024 Year and an unrealized loss of \$1.2 million, net of tax, for the 2023 Year.

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(1) *These are Non-GAAP Measures. Please see above in the “Non-GAAP Measures” section for the definition and reconciliation of Non-GAAP measures to the most directly comparable GAAP measure.*

### **LIQUIDITY AND CAPITAL RESOURCES**

We believe that our business has sufficient cash to allow us to meet our short-term cash requirements. Total cash and cash equivalents were \$41.4 million as of December 31, 2024, compared to \$152.8 million as of December 31, 2023.

Additionally, we had \$151.6 million of outstanding borrowings and \$164.0 million in available credit under our credit facilities as of December 31, 2024, compared to \$144.4 million of outstanding borrowings and \$175.0 million in available credit under our credit facilities as of December 31, 2023.

On May 30, 2023, we completed a secondary offering of our common stock resulting in net proceeds of \$163.6 million after deducting fees associated with the transaction. A portion of the net proceeds was used to repay the \$35.0 million then outstanding under our Credit Agreement while the remainder was used primarily for acquisitions from May 2023 through December 2024. Prior to using the cash, our cash was invested in a high-yield savings account which generated interest income of approximately 3.9 million and \$3.8 million in the Year 2024 and Year 2023, respectively.

We believe that our cash and cash equivalents and availability under our Credit Facilities are sufficient to fund the working capital needs of our operating subsidiaries through at least March 3, 2026.

As of December 31, 2024, we had \$41.4 million of cash on hand, a significant portion of which is available for deployment into development and other growth initiatives. We plan to continue developing new clinics and making additional acquisitions. We have, from time to time, purchased from or sold to non-controlling interests of limited partners in our existing partnerships. We may purchase or sell additional non-controlling interests in the future. Generally, any acquisition or purchase of non-controlling interests is expected to be accomplished using our cash, financing, or a combination of the two.

We make reasonable and appropriate efforts to collect accounts receivable, including applicable deductible and co-payment amounts. Claims are submitted to payors daily, weekly or monthly in accordance with our policy or payor’s requirements. When possible, we submit our claims electronically. The collection process is time-consuming and typically involves the submission of claims to multiple payors whose payment of claims may be dependent upon the payment of another payor. Claims under litigation and vehicular incidents can take a year or longer to collect. Medicare and other payor claims relating to new clinics awaiting CMS approval initially may not be submitted for six months or more. When all reasonable internal collection efforts have been exhausted, accounts are written off prior to sending them to outside collection firms. With managed care, commercial health plans and self-pay payor type receivables, the write-off generally occurs after the balance has been outstanding for 120 days or longer. As of December 31, 2024, we have accrued \$6.4 million related to credit balances (including in accrued expenses), a portion of which is due to patients and payors. The credit balances are expected to be resolved or paid in the next twelve months.

The average accounts receivable days outstanding was 31 days on December 31, 2024, and 29 days on December 31, 2023. Net patient receivables in the amounts of \$6.1 million and \$6.3 million were written off in 2024 and 2023, respectively.

### Cash Flow

A summary of our operating, investing, and financing activities is discussed below.

	Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Net cash provided by operating activities	\$ 74,940	\$ 81,978	\$ 58,537
Net cash used in financing activities	(149,450)	(45,015)	(81,269)
Net cash (used in) provided by financing activities	(36,953)	84,268	25,759

### Operating Activities

Cash provided by operating activities decreased \$7.0 million to \$74.9 million for the year ended December 31, 2024, as compared to \$82.0 million for the year ended December 31, 2023.

### Investing Activities

Cash used in investing activities during the year ended December 31, 2024, totaled \$149.5 million and consisted of \$142.1 million used in the purchase of majority interests in businesses and non-controlling interest, temporary and permanent equity, and \$9.2 million of fixed assets purchases. These were partially offset by \$1.0 million in distributions from an unconsolidated affiliate.

### Financing Activities

Cash used in financing activities during the year ended December 31, 2024, totaled \$37.0 million and primarily consisted of \$26.5 million of dividends paid to our shareholders, \$11.8 million of net payments under our revolving credit facility, and \$14.7 million of distributions to non-controlling interests. These uses were partially offset by new borrowings of \$19.0 million on our Senior Credit Facilities.

### Senior Credit Facilities

On December 5, 2013, we entered into an Amended and Restated Credit Agreement with a commitment for a \$125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017, and January 2021. On June 17, 2022, we entered into the Third Amended and Restated Credit Agreement (the "Credit Agreement") among Bank of America, N.A., as administrative agent ("Administrative Agent") and the lenders from time-to-time party thereto.

The Credit Agreement, which matures on June 17, 2027, provides for loans in an aggregate principal amount of \$325 million. Such loans will be available through the following facilities (collectively, the "Senior Credit Facilities"):

- 1) Revolving Facility: \$175 million, five-year, revolving credit facility ("Revolving Facility"), which includes a \$12 million sublimit for the issuance of standby letters of credit and a \$15 million sublimit for swingline loans (each, a "Swingline Loan").
- 2) Term Facility: \$150 million term loan facility (the "Term Facility"). The Term Facility amortizes in quarterly installments of: (a) 0.625% in each of the first two years, (b) 1.250% in the third and fourth year, and (c) 1.875% in the fifth year of the Credit Agreement. The remaining outstanding principal balance of all term loans is due on the maturity date.

The proceeds of the Revolving Facility have been and shall continue to be used by us for working capital and other general corporate purposes of our Company and its subsidiaries, including to fund future acquisitions and invest in growth opportunities. The proceeds of the Term Facility were used by us to refinance the indebtedness outstanding under the Second Amended and Restated Credit Agreement, to pay fees and expenses incurred in connection with the loan facilities transactions, for working capital and other general corporate purposes.

We are permitted to increase the Revolving Facility and/or add one or more tranches of term loans in an aggregate amount not to exceed the sum of (i) \$100 million plus (ii) an unlimited additional amount, provided that (in the case of clause (ii)), after giving effect to such increases, the pro forma Consolidated Leverage Ratio (as defined in the Credit Agreement) would not exceed 2.0:1.0, and the aggregate amount of all incremental increases under the Revolving Facility does not exceed \$50,000,000.

The interest rates per annum applicable to the Senior Credit Facilities (other than in respect of Swingline Loans) will be Term SOFR as defined in the agreement plus an applicable margin or, at our option, an alternate base rate plus an applicable margin.

We also pay to the Administrative Agent, for the account of each lender under the Revolving Facility, a commitment fee equal to the actual daily excess of each lender's commitment over its outstanding credit exposure under the Revolving Facility ("unused fee"). We may prepay and/or repay the revolving loans and the term loans, and/or terminate the revolving loan commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions.

The Credit Agreement contains customary covenants limiting, among other things, the incurrence of additional indebtedness, the creation of liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends, and other payments in respect of equity interests, acquisitions, investments, loans and guarantees, subject, in each case, to customary exceptions, thresholds and baskets. The Credit Agreement includes certain financial covenants which include the Consolidated Fixed Charge Coverage Ratio and the Consolidated Leverage Ratio, as defined in the Credit Agreement. The Credit Agreement also contains customary events of default.

Our obligations under the Credit Agreement are guaranteed by our wholly owned material domestic subsidiaries (each, a "Guarantor"), and our obligations and any Guarantors are secured by a perfected first priority security interest in substantially all of our existing and future personal property and each Guarantor, subject to certain exceptions.

As of December 31, 2024, \$140.6 million was outstanding on the Term Facility while \$11.0 million was outstanding under the Revolving Facility, resulting in \$164.0 million of credit availability. As of December 31, 2024, we were in compliance with all of the covenants contained in the Credit Agreement. The interest rate for the 2024 Year on our Senior Credit Facilities, net of savings from the interest rate swap described below, was 4.7%, with an all-in interest rate, including all associated costs, of 5.5%. Interest is payable at the end of the selected interest period but no less frequently than quarterly and on the date of maturity.

#### ***Interest Rate Swap***

In May 2022, we entered into an interest rate swap agreement, effective on June 30, 2022, with Bank of America, N.A, which became effective on June 30, 2022. It has a \$150 million notional value adjusted concurrently with scheduled principal payments made on the term loan and has a maturity date of June 30, 2027. Beginning in July 2022, we receive 1-month SOFR, and pay a fixed rate of interest of 2.815% on 1-month SOFR on a quarterly basis. The total interest rate in any period also includes an applicable margin based on our consolidated leverage ratio. In connection with the swap, no cash was exchanged between us and the counterparty.

We designated our interest rate swap as a cash flow hedge and structured it to be highly effective. Consequently, unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulate other comprehensive income (loss), net of tax.

As of December 31, 2024, the fair value of the interest rate swap was \$3.8 million, an increase of \$0.1 million, net of any income tax effect, as compared to December 31, 2023. The fair value of the interest rate swap is included in other assets (current and long term) in our consolidated balance sheet while the increase in fair value is presented as unrealized loss in our consolidated statements of comprehensive income. The interest rate swap arrangement generated \$3.4 million in interest savings for the 2024 Year. The average interest rate for the term facility, net of the savings from the swap in the 2024 Year was 4.7%.

#### **Notes Payable and Deferred Payments Related to Acquisitions**

We generally enter into various notes payable as a means of financing our acquisitions. Our present outstanding notes payable primarily relate to the acquisitions of a business or acquisitions of majority interests in such businesses. At December 31, 2024, our remaining outstanding balance on these notes aggregated \$3.0 million, of which \$2.0 million are payable in 2025, \$0.9 million are payable in 2026, and \$0.1 million are payable in 2027. Notes are generally payable in equal annual installments of principal over two years plus any accrued and unpaid interest. Interest accrues at various interest rates ranging from 4.0% to 8.5% per annum.

On November 30, 2024, we acquired a 75% equity interest in an eight-clinic physical therapy practice. The owner of the practice retained 25% of the equity interests. The purchase price for the 75% equity interest was approximately \$15.9 million, of which \$15.7 million was paid in cash, and \$0.2 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest is payable in one installment which is due on December 1, 2026.

On October 31, 2024, we acquired a 50% interest in MSO Metro, LLC (“Metro”) pursuant to a Equity Interest Purchase Agreement (the “Purchase Agreement”) dated October 7, 2024 among U.S. Physical Therapy, Ltd. (a subsidiary of the Company), Metro, the members of Metro, and Michael G. Mayrsohn, as Sellers’ Representative. We also became the managing member of Metro. We paid a purchase price of approximately \$76.5 million, \$75.0 million of which was funded by our cash on hand and the remaining \$1.5 million through the issuance of 18,358 shares of the Company’s common stock based on a trailing five-day average as of the day immediately prior to closing. The shares of the Company’s common stock were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act. The Purchase Agreement also included an earnout where the sellers can earn up to another \$20.0 million of additional consideration if certain performance criteria relating to the Metro business are achieved. The value of the contingent consideration at December 31, 2024 was \$11.3 million.

On August 31, 2024, we acquired a 70% equity interest in an eight-clinic practice physical therapy and the original practice owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately \$2.0 million. As part of the transaction, we agreed to additional contingent consideration if future operational and financial objectives are met. The maximum amount of additional contingent consideration due under this agreement is \$3.6 million. The contingent consideration was valued at \$3.2 million on December 31, 2024.

On April 30, 2024, we acquired 100% of an IIP business through one of its primary IIP businesses, Briotix Health Limited Partnership, for a purchase price of approximately \$24.0 million, of which \$0.5 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and the interest are payable on May 1, 2025. As part of the transaction, we agreed to additional contingent consideration if future operational objectives are met by the business. The maximum amount of additional contingent consideration due under this agreement is \$10.0 million. The contingent consideration was valued at \$2.5 million as of December 31, 2024.

On March 29, 2024, we acquired a 50% equity interest in a nine-clinic physical therapy and hand therapy practice. The original owners of the practice retained the remaining 50%. The purchase price for the 50% equity interest was approximately \$16.4 million, of which \$0.5 million was in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and the interest are payable on March 29, 2026. As part of the transaction, we agreed to additional contingent consideration if future operational and financial objectives are met. There is no maximum payout. The contingent consideration was valued at \$0.2 million on December 31, 2024.

On September 29, 2023, we acquired a 70% equity interest in a four-clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$6.0 million, of which \$5.4 million was paid in cash, and \$0.6 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest are payable in two installments. The first payment of principal and interest of \$0.3 million was paid in January 2024, and the second installment of \$0.3 million is due on September 30, 2025.

In a separate transaction, on September 29, 2023, we acquired a 70% equity interest in a single clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$7.8 million, of which \$7.4 million was paid in cash and \$0.4 million is a deferred payment due on June 30, 2025.

On July 31, 2023, we acquired a 70% equity interest in a five-clinic practice. The practice's owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately \$2.1 million, of which \$1.8 million was paid in cash and \$0.3 million is a deferred payment due on June 30, 2025.

On May 31, 2023, we and a local partner together acquired a 75% interest in a four-clinic physical therapy practice. After the transaction, our ownership interest is 45%, our local partner's ownership interest is 30%, and the practice's pre-acquisition owners have a 25% ownership interest. The purchase price for the 75% equity interest was approximately \$3.1 million, of which \$1.7 million was paid in cash by us, \$1.1 million was paid in cash by the local partner, and \$0.3 million was in the form of a note payable (of which \$0.2 million was to be paid by us and \$0.1 million was to be paid by the local partner). The note was paid in full on July 1, 2024.

On February 28, 2023, we acquired 80% interest in a one-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for 80% equity interest was approximately \$6.2 million, of which \$5.8 million was paid in cash and \$0.4 million in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and interest were paid on February 28, 2025.

**Redeemable Non-Controlling Interest**

Certain of our limited partnership agreements and operating agreements provide that, upon the triggering events, we have a call right and the selling entity or individual has a put right for the purchase and sale of the limited partnership interest held by the partner. Once triggered, the put right and the call right do not expire, even upon an individual partner's death, and contain no mandatory redemption feature. In addition, in certain of these limited partnership agreements and operating agreements, the selling entity or individual also has a put right that can be exercised after the passage of a designated period of time or upon a termination of employment. The purchase price of the underlying equity interest upon the exercise of either the put right or the call right is calculated per the terms of the respective agreements and classified as redeemable non-controlling interest (temporary equity) in our consolidated balance sheets. The fair value of the redeemable non-controlling interest at December 31, 2024 was \$269.0 million.

**Contractual Obligations**

We have future obligations for debt repayments and associated interest payments as well as future minimum lease payments under our non-cancellable operating leases. The obligations as of December 31, 2024, are summarized as follows:

	<u>Total</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Thereafter</u>
	(In thousands)						
Company's Senior Credit Facilities (1)	\$ 151,625	\$ 9,375	\$ 9,375	\$ 132,875	\$ -	\$ -	-
Notes payable (2)	2,952	2,047	894	11	-	-	-
Interest expense on Senior Credit Facilities and notes payable (3)	18,739	6,456	6,182	6,101	-	-	-
Operating leases (4)	188,799	55,557	45,020	33,718	22,556	13,389	18,559
	<u>\$ 362,115</u>	<u>\$ 73,435</u>	<u>\$ 61,471</u>	<u>\$ 172,705</u>	<u>\$ 22,556</u>	<u>\$ 13,389</u>	<u>\$ 18,559</u>

(1) Amounts due under our Senior Credit Facilities discussed above.

(2) Amounts due related to certain acquisitions discussed above.

(3) Interest on our Senior Credit Facilities was estimated using the average outstanding balance for the respective periods and our effective interest rate on our Term Facility and Revolving Facility at December 31, 2024. Interest on our other debt was estimated using the stated rate in the debt agreement.

(4) Includes variable non-lease components, including but not limited to common area maintenance.

## CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, net sales and expenses, and disclosure of contingent assets and liabilities. Management bases estimates on historical experience and other assumptions it believes to be reasonable given the circumstances and evaluates these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies involve a higher degree of judgment and complexity. See Note 2, Significant Accounting Policies, to our audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K for a complete discussion of our significant accounting policies. The following reflect the significant estimates and judgments used in the preparation of our consolidated financial statements.

### **Revenue Recognition**

#### *Patient revenue*

Revenues are recognized in the period in which services are rendered. Net patient revenue consists of revenues from physical therapy and occupational therapy clinics that provide pre- and post-operative care and treatment for orthopedic related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenue (patient revenues less estimated contractual adjustments – described below) is recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. There is an implied contract between us and the patient upon each patient visit. Separate contractual arrangements exist between us and third-party payors (e.g. insurers, managed care programs, government programs, and workers' compensation programs) which establish the amounts the third parties pay on behalf of the patients for covered services rendered. While these agreements are not considered contracts with the customer, they are used for determining the transaction price for services provided to the patients covered by the third-party payors. The payor contracts do not indicate performance obligations for us but indicate reimbursement rates for patients who are covered by those payors when the services are provided. At that time, we are obligated to provide services for the reimbursement rates stipulated in the payor contracts. The execution of the contract alone does not indicate a performance obligation. For self-paying customers, the performance obligation exists when we provide the services at established rates. The difference between our established rate and the anticipated reimbursement rate is accounted for as an offset to revenue—contractual allowance.

#### *Other Revenues*

Revenue derived from management agreements with physicians and hospitals is included in other revenue in the consolidated statements of net income. We do not have any ownership interest in these clinics. Typically, revenues are determined based on the number of visits conducted at the clinic and recognized at the point in time when services are performed. Costs, typically salaries for our employees, are recorded when incurred.

Revenues from the IIP business, which are included in other revenues in the consolidated statements of net income, are derived from onsite services we provide to clients' employees including injury prevention, rehabilitation, ergonomic assessments, and performance optimization. Revenue from the IIP business is recognized when obligations under the terms of the contract are satisfied. Revenues are recognized at an amount equal to the consideration we expect to receive in exchange for providing injury prevention services to our clients. The revenue is determined and recognized based on the number of hours and respective rate for services provided in a given period.

Additionally, other revenue includes services we provide on-site at locations such as schools and industrial worksites for physical or occupational therapy services, athletic trainers and gym membership fees. Contract terms and rates are agreed to in advance between us and the third parties. Services are typically performed over the contract period and revenue is recorded at the point of service. If the services are paid in advance, revenue is recorded as a contract liability over the period of the agreement and recognized at the point in time when the services are performed.

We determine allowances for credit losses based on the specific agings of receivables and payor classifications at each clinic. The provision for credit losses is included in clinic operating costs in the statements of net income. Patient accounts receivable, which are stated at the historical carrying amount net of contractual allowances, write-offs and provision for credit losses, includes only those amounts we estimate to be collectible. Our provision for credit losses was 1.0% of total net revenue for each years ended December 31, 2024, 2023 and 2022, respectively. Management believes that this is reasonable because the majority of our payors consist of highly solvent, highly regulated, commercial insurance companies as well as government programs, including Medicare.

#### *Contractual Allowances*

Contractual allowances result from the differences between the rates charged for services performed and expected reimbursements by both insurance companies and government sponsored healthcare programs for such services. Medicare regulations and the various third-party payors and managed care contracts are often complex and may include multiple reimbursement mechanisms payable for the services provided in our clinics. We estimate contractual allowances based on our interpretation of the applicable regulations, payor contracts and historical calculations. Each month we estimate our contractual allowance for each clinic based on payor contracts and the historical collection experience of the clinic and apply an appropriate contractual allowance reserve percentage to the gross accounts receivable balances for each payor of the clinic. Based on our historical experience, calculating the contractual allowance reserve percentage at the payor level is sufficient to allow us to provide the necessary detail and accuracy with our collectability estimates. However, the services authorized and provided and related reimbursement are subject to interpretation that could result in payments that differ from our estimates. Payor terms are periodically revised necessitating continual review and assessment of the estimates made by management. Our billing systems may not capture the exact change in our contractual allowance reserve estimate from period to period. Therefore, in order to assess the accuracy of our revenues and hence our contractual allowance reserves, our management regularly compares our cash collections to corresponding net revenues measured both in the aggregate and on a clinic-by-clinic basis. In the aggregate, the historical difference between net revenues and corresponding cash collections in any given fiscal year has generally reflected a difference within approximately 1.0% to 1.5% of net revenues. Additionally, analysis of subsequent period's contractual write-offs on a payor basis reflects a difference within approximately 1.0% to 1.5% between the actual aggregate contractual reserve percentage as compared to the estimated contractual allowance reserve percentage associated with the same period end balance. As a result, we believe that a reasonable likely change in the contractual allowance reserve estimate would not be more than 1.0% to 1.5% of gross billings in accounts receivable at December 31, 2024. For purposes of demonstrating the sensitivity of this estimate on our Company's financial condition, a 1.0% to 1.5% increase or decrease in our aggregate contractual allowance reserve percentage would decrease or increase, respectively, net patient revenue by approximately \$1.0 million to \$1.5 million for the year ended December 31, 2024. Management believes the changes in the estimate of the contractual allowance reserve for the periods ended December 31, 2024, and 2023 have not been material to the statements of income.

#### *Goodwill and Other Indefinite-Lived Intangible Assets*

Goodwill represents the excess of the amount paid and fair value of the non-controlling interests over the fair value of the acquired business assets, which include certain identifiable intangible assets. Historically, goodwill has been derived from acquisitions and, prior to 2009, from the purchase of some or all of a particular local management's equity interest in an existing clinic. Effective January 1, 2009, if the purchase price of a non-controlling interest by the Company exceeds or is less than the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital.

Goodwill and other indefinite-lived intangible assets are not amortized but are instead subject to periodic impairment evaluations. The fair value of goodwill and other identifiable intangible assets with indefinite lives are evaluated for impairment at least annually and upon the occurrence of certain events or conditions and are written down to fair value if considered impaired. These events or conditions include but are not limited to a significant adverse change in the business environment, regulatory environment, or legal factors; a current period operating, or cash flow loss combined with a history of such losses or a projection of continuing losses; or a sale or disposition of a significant portion of a reporting unit. The occurrence of one of these events or conditions could significantly impact an impairment assessment, necessitating an impairment charge. We evaluate indefinite-lived tradenames in conjunction with our annual goodwill impairment test.

**Impairment of Goodwill, Other Indefinite-Lived Intangible Assets and Long-Lived Assets**

We operate our business through two segments consisting of our physical therapy clinics and our IIP business. For purposes of goodwill impairment analysis, each of our segments is further broken down into reporting units. Reporting units within our physical therapy business comprise of regions primarily based on each clinic's location. In addition to the six regions, in 2024 and 2023, the IIP business consisted of two reporting units.

As part of the impairment analysis, we are first required to assess qualitatively if we can conclude whether goodwill is more likely than not impaired. If goodwill is more likely than not impaired, we are then required to complete a quantitative analysis of whether a reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we consider relevant events or circumstances that affect the fair value or carrying amount of a reporting unit. We consider both the income and market approach in determining the fair value of its reporting units when performing a quantitative analysis.

An impairment loss generally would be recognized when the carrying amount of the net assets of a reporting unit, inclusive of goodwill and other identifiable intangible assets, exceeds the estimated fair value of the reporting unit.

Additionally, we review property and equipment and intangible assets with finite lives for impairment upon the occurrence of certain events or circumstances that indicate the related amounts may be impaired.

We recorded a non-cash impairment charge of \$2.4 million related to assets held for sale during the year-ended December 31, 2024 and \$17.5 million related to a reporting unit in our IIP business during the year ended December 31, 2023.

We will continue to monitor for any triggering events or other indicators of impairment.

**Redeemable Non-Controlling Interest**

The non-controlling interests that are reflected as redeemable non-controlling interest in our consolidated financial statements consist of those owners, including us, that have certain redemption rights, whether currently exercisable or not, and which currently, or in the future, require that we purchase or the owner sell the non-controlling interest held by the owner, if certain conditions are met and the owners request the purchase ("Put Right"). We also have a call right ("Call Right"). Most of the Put Rights or Call Rights may be triggered by the owner or us, respectively, at such time as both of the following events have occurred: 1) termination of the owner's employment, regardless of the reason for such termination, and 2) the passage of specified number of years after the closing of the transaction, typically three to five years, as defined in the limited partnership agreement. Other Put Rights may be triggered at the discretion of the owner after a set period of time has passed. The Put Rights and Call Rights are not automatic (even upon death) and require either the owner or us to exercise our rights when the conditions triggering the Put or Call Rights have been satisfied. The purchase price is derived at a predetermined formula based on a multiple of trailing twelve months earnings performance as defined in the respective limited partnership agreements.

On the date we acquire a controlling interest in a Subsidiary and the limited partnership agreement or operating agreement, as applicable, for such Subsidiary contains redemption rights not under our control, the fair value of the non-controlling interest is recorded in the consolidated balance sheet under the caption—*Redeemable non-controlling interest*. Then, in each reporting period thereafter until it is purchased by us, the redeemable non-controlling interest is adjusted to the greater of its then current redemption value or initial value, based on the predetermined formula defined in the respective limited partnership agreement. As a result, the value of the non-controlling interest is not adjusted below its initial value. We record any adjustment in the redemption value, net of tax, directly to retained earnings and not in the consolidated statements of net income. Although the adjustments are not reflected in the consolidated statements of net income, current accounting rules require that we reflect the adjustments, net of tax, in the earnings per share calculation. The amount of net income attributable to redeemable non-controlling interest owners is included in consolidated net income on the face of the consolidated statement of income. We believe the redemption value (i.e. the carrying amount) and fair value are the same.



**Non-Controlling Interest**

We recognize non-controlling interests, in which we have no obligation but the right to purchase the non-controlling interests, as equity in the consolidated financial statements separate from the parent entity's equity. The amount of net income attributable to non-controlling interests is included in consolidated net income on the face of the consolidated statements of net income. Operating losses are allocated to non-controlling interests even when such allocation creates a deficit balance for the non-controlling interest partner. When we purchase a non-controlling interest and the purchase differs from the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We maintain an interest rate swap arrangement which is considered a derivative instrument. Our indebtedness as of December 31, 2024, was the outstanding balance of seller notes from our acquisitions of \$2.9 million, and an outstanding balance on our Credit Facilities of \$151.6 million. The Revolving Facility within our Credit Facilities has a balance of \$11.0 million as of December 31, 2024, and is subject to fluctuating interest rates. A 1% change in the interest rate would yield an additional \$0.1 million of interest expense. See Note 11 to our consolidated financial statements included in Item 8.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND RELATED INFORMATION**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**Board of Directors and Shareholders  
U.S. Physical Therapy, Inc.**

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of U.S. Physical Therapy, Inc. (a Nevada corporation) and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of net income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 3, 2025 expressed an unqualified opinion.

**Basis for opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Measurement of Patient Revenue Net of Contractual Adjustments*

As further discussed in Note 2 to the consolidated financial statements, revenues are recognized in the period in which services are rendered. Net patient revenues (patient revenues less estimated contractual adjustments) are recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. The Company has agreements with third-party payors that provide for payments at amounts different from its established rates. Each month the Company estimates its contractual adjustment for each clinic based on the terms of third-party payor contracts and the historical collection and write-off experience of the clinic and applies a contractual adjustment reserve percentage to the gross accounts receivable balances. The Company then performs a comparison of cash collections to corresponding net revenues for the prior twelve months. We identified the measurement of contractual adjustments as a critical audit matter.

The principal consideration for our determination that the measurement of contractual adjustments is a critical audit matter is that the estimate requires a high degree of auditor subjectivity in evaluating management's assumptions related to developing future collection patterns across the various clinic locations.

Our audit procedures related to the Company's measurement of contractual adjustments included the following, among others.

- We tested the design and operating effectiveness of controls relating to billing and cash collections, net rate trend analysis and cash collections versus net revenue trend analysis.
- For a sample of patient visits, we inspected and compared underlying documents for each transaction, which included gross billing rates and cash collected (net revenue).
- For a sample of patient visits, we traced gross billings and net revenue to net revenue recorded in the general ledger and to each report used in determining and assessing the contractual adjustment calculation.
- We compared cash collections to recorded net revenue for the twelve month period ended December 31, 2024 and again for the twelve month period ended in the first month subsequent to period end, to identify whether there were unusual trends that would indicate that the usage of historical collection patterns would no longer be reasonable to predict future collection patterns.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2004.

Houston, Texas  
March 3, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
U.S. Physical Therapy, Inc.

**Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of U.S. Physical Therapy, Inc. (a Nevada corporation) and subsidiaries (the “Company”) as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2024, and our report dated March 3, 2025 expressed an unqualified opinion on those financial statements.

**Basis for opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of MSO Metro, LLC, a consolidated subsidiary, whose financial statements reflect total assets and revenues constituting 3.6 and 1.5 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2024. As indicated in Management’s Report, MSO Metro, LLC was acquired during 2024. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of MSO Metro, LLC.

**Definition and limitations of internal control over financial reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Houston, Texas  
March 3, 2025

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,362	\$ 152,825
Patient accounts receivable, less provision for credit losses of \$3,506 and \$2,736, respectively	59,040	51,866
Accounts receivable - other	26,626	17,854
Other current assets	10,555	10,830
Total current assets	137,583	233,375
Fixed assets:		
Furniture and equipment	68,128	63,982
Leasehold improvements	51,105	46,941
Fixed assets, gross	119,233	110,923
Less accumulated depreciation and amortization	(87,093)	(84,821)
Fixed assets, net	32,140	26,102
Operating lease right-of-use assets	133,936	103,431
Investment in unconsolidated affiliate	12,190	12,256
Goodwill	667,152	509,571
Other identifiable intangible assets, net	179,311	109,682
Other assets	5,155	2,821
Total assets	\$ 1,167,467	\$ 997,238
<b>LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST</b>		
Current liabilities:		
Accounts payable - trade	\$ 5,936	\$ 3,898
Accrued expenses	59,513	55,344
Current portion of operating lease liabilities	39,835	35,252
Current portion of term loan and notes payable	10,999	7,691
Total current liabilities	116,283	102,185
Notes payable, net of current portion	903	1,289
Revolving facility	11,000	-
Term loan, net of current portion and deferred financing costs	130,627	137,702
Deferred taxes	29,465	24,815
Operating lease liabilities, net of current portion	101,868	76,653
Other long-term liabilities	18,275	2,356
Total liabilities	408,421	345,000
Redeemable non-controlling interest - temporary equity	269,025	174,828
Commitments and Contingencies		
U.S. Physical Therapy, Inc. ("USPH") shareholders' equity:		
Preferred stock, \$0.01 par value, 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.01 par value, 20,000,000 shares authorized, 17,309,120 and 17,202,291 shares issued, respectively	172	172
Additional paid-in capital	290,321	281,096
Accumulated other comprehensive gain	2,799	2,782
Retained earnings	227,265	223,772
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	488,929	476,194
Non-controlling interest - permanent equity	1,092	1,216
Total USPH shareholders' equity and non-controlling interest - permanent equity	490,021	477,410
Total liabilities, redeemable non-controlling interest, USPH shareholders' equity and non-controlling interest - permanent equity	\$ 1,167,467	\$ 997,238

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	<b>For the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Net patient revenue	\$ 560,553	\$ 514,556	\$ 464,590
Other revenue	110,792	90,246	88,554
Net revenue	<u>671,345</u>	<u>604,802</u>	<u>553,144</u>
Operating cost:			
Salaries and related costs	399,394	353,390	319,191
Rent, supplies, contract labor and other	118,910	108,596	102,370
Depreciation and amortization	17,853	14,960	13,939
Provision for credit losses	6,912	6,172	5,548
Clinic closure costs - lease and other	4,355	175	72
Total operating cost	<u>547,424</u>	<u>483,293</u>	<u>441,120</u>
Gross profit	123,921	121,509	112,024
Corporate office costs	58,290	51,953	46,111
Impairment of goodwill and other intangible assets	-	17,495	9,112
Impairment of assets held for sale	2,418	-	-
Operating income	<u>63,213</u>	<u>52,061</u>	<u>56,801</u>
Other (expense) income			
Interest expense, debt and other	(8,015)	(9,303)	(5,779)
Interest income from investments	3,941	3,774	-
Change in fair value of contingent earn-out consideration	(219)	(1,550)	2,520
Change in revaluation of put-right liability	(82)	2,582	(5)
Equity in earnings of unconsolidated affiliate	1,014	955	1,175
Relief Funds	-	467	-
Other	357	390	859
Total other expense	<u>(3,004)</u>	<u>(2,685)</u>	<u>(1,230)</u>
Income before taxes	60,209	49,376	55,571
Provision for income taxes	14,609	12,156	12,164
Net income	<u>45,600</u>	<u>37,220</u>	<u>43,407</u>
Less: Net income attributable to non-controlling interest:			
Redeemable non-controlling interest - temporary equity	(10,044)	(4,426)	(6,902)
Non-controlling interest - permanent equity	(4,132)	(4,555)	(4,347)
	<u>(14,176)</u>	<u>(8,981)</u>	<u>(11,249)</u>
Net income attributable to USPH shareholders	<u>\$ 31,424</u>	<u>\$ 28,239</u>	<u>\$ 32,158</u>
Basic and diluted earnings per share attributable to USPH shareholders	<u>\$ 1.84</u>	<u>\$ 1.28</u>	<u>\$ 2.25</u>
Shares used in computation - basic and diluted	<u>15,064</u>	<u>14,188</u>	<u>12,985</u>
Dividends declared per common share	<u>\$ 1.76</u>	<u>\$ 1.72</u>	<u>\$ 1.64</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(IN THOUSANDS)**

	<b>Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Net income	\$ 45,600	\$ 37,220	\$ 43,407
Other comprehensive income			
Unrealized gain (loss) on cash flow hedge	23	(1,642)	5,378
Tax effect at statutory rate (federal and state)	(6)	420	(1,374)
Comprehensive income	<u>\$ 45,617</u>	<u>\$ 35,998</u>	<u>\$ 47,411</u>
Comprehensive income attributable to non-controlling interest	(14,176)	(8,981)	(11,249)
Comprehensive income attributable to USPH shareholders	<u>\$ 31,441</u>	<u>\$ 27,017</u>	<u>\$ 36,162</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(IN THOUSANDS)**

	<b>U.S. Physical Therapy, Inc.</b>									
	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Other Comprehensive Gain</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>		<b>Total Shareholders' Equity</b>	<b>Non-Controlling Interests</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				<b>Shares</b>	<b>Amount</b>			
Balance January 1, 2022	15,126	\$ 151	\$ 102,688	\$ -	\$ 224,395	(2,215)	\$ (31,628)	\$ 295,606	\$ 1,575	\$ 297,181
Net income attributable to USPH shareholders	-	-	-	-	32,158	-	-	32,158	-	32,158
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	4,347	4,347
Issuance of restricted stock, net of cancellations	90	1	-	-	-	-	-	1	-	1
Revaluation of redeemable non-controlling interest	-	-	-	-	(2,896)	-	-	(2,896)	-	(2,896)
Purchase of non-controlling interest	-	-	(353)	-	-	-	-	(353)	(101)	(454)
Compensation expense - equity-based awards	-	-	7,264	-	-	-	-	7,264	-	7,264
Transfer of compensation liability for certain stock	-	-	707	-	-	-	-	707	-	707
Dividends paid to USPH shareholders	-	-	-	-	(21,321)	-	-	(21,321)	-	(21,321)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(5,246)	(5,246)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	613	-	-	613	-	613
Other comprehensive gain	-	-	-	4,004	-	-	-	4,004	-	4,004
Other	-	-	11	-	(1)	-	-	10	685	695
Balance December 31, 2022	<u>15,216</u>	<u>\$ 152</u>	<u>\$ 110,317</u>	<u>\$ 4,004</u>	<u>\$ 232,948</u>	<u>(2,215)</u>	<u>\$ (31,628)</u>	<u>\$ 315,793</u>	<u>\$ 1,260</u>	<u>\$ 317,053</u>

	<b>U.S. Physical Therapy, Inc.</b>									
	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Other Comprehensive Gain</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>		<b>Total Shareholders' Equity</b>	<b>Non-Controlling Interests</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				<b>Shares</b>	<b>Amount</b>			
Balance January 1, 2023	15,216	\$ 152	\$ 110,317	\$ 4,004	\$ 232,948	(2,215)	\$ (31,628)	\$ 315,793	\$ 1,260	\$ 317,053
Net income attributable to USPH shareholders	-	-	-	-	28,239	-	-	28,239	-	28,239
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	4,555	4,555
Issuance of restricted stock, net of cancellations	70	-	-	-	-	-	-	-	-	-
Issuance of common stock, pursuant to the secondary public offering, net of issuance costs	1,916	20	163,626	-	-	-	-	163,646	-	163,646
Revaluation of redeemable non-controlling interest	-	-	-	-	(13,564)	-	-	(13,564)	-	(13,564)
Compensation expense - equity-based awards	-	-	7,236	-	-	-	-	7,236	-	7,236
Sale of non-controlling interest	-	-	-	-	-	-	-	-	4	4
Purchase of partnership interests - non-controlling interest	-	-	(83)	-	-	-	-	(83)	(36)	(119)
Dividends payable to USPH shareholders	-	-	-	-	(24,128)	-	-	(24,128)	-	(24,128)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(4,567)	(4,567)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	587	-	-	587	-	587
Other comprehensive loss	-	-	-	(1,222)	(2)	-	-	(1,224)	-	(1,224)
Other	-	-	-	-	(308)	-	-	(308)	-	(308)
Balance December 31, 2023	<u>17,202</u>	<u>\$ 172</u>	<u>\$ 281,096</u>	<u>\$ 2,782</u>	<u>\$ 223,772</u>	<u>(2,215)</u>	<u>\$ (31,628)</u>	<u>\$ 476,194</u>	<u>\$ 1,216</u>	<u>\$ 477,410</u>

	<b>U.S. Physical Therapy, Inc.</b>									
	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>		<b>Total Shareholders' Equity</b>	<b>Non-Controlling Interests</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				<b>Shares</b>	<b>Amount</b>			
Balance January 1, 2024	17,202	\$ 172	\$ 281,096	\$ 2,782	\$ 223,772	(2,215)	\$ (31,628)	\$ 476,194	\$ 1,216	\$ 477,410
Net income attributable to USPH shareholders	-	-	-	-	31,424	-	-	31,424	-	31,424
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	4,132	4,132
Issuance of restricted stock, net of cancellations	107	-	1,500	-	-	-	-	1,500	-	1,500
Issuance of common stock, pursuant to the secondary public offering, net of issuance costs	-	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest	-	-	-	-	(4,964)	-	-	(4,964)	-	(4,964)
Compensation expense - equity-based awards	-	-	7,656	-	-	-	-	7,656	-	7,656
Sale of non-controlling interest	-	-	229	-	-	-	-	229	-	229
Purchase of partnership interests - non-controlling interest	-	-	(760)	-	-	-	-	(760)	(124)	(884)
Dividends payable to USPH shareholders	-	-	-	-	(26,540)	-	-	(26,540)	-	(26,540)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(4,133)	(4,133)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	540	-	-	540	-	540
Other comprehensive gain	-	-	-	17	-	-	-	17	-	17
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	600	-	-	-	-	600	-	600
Transfer of RNCI due to separation agreement	-	-	-	-	3,033	-	-	3,033	-	3,033
Other	-	-	-	-	-	-	-	-	1	1
Balance December 31, 2024	<u>17,309</u>	<u>\$ 172</u>	<u>\$ 290,321</u>	<u>\$ 2,799</u>	<u>\$ 227,265</u>	<u>(2,215)</u>	<u>\$ (31,628)</u>	<u>\$ 488,929</u>	<u>\$ 1,092</u>	<u>\$ 490,021</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*



**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(IN THOUSANDS)**

	Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
<b>OPERATING ACTIVITIES</b>			
Net income including non-controlling interest	\$ 45,600	\$ 37,220	\$ 43,407
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:			
Depreciation and amortization	18,681	15,695	14,743
Provision for credit losses	6,912	6,172	5,548
Equity-based awards compensation expense	7,823	7,236	7,264
Amortization of debt issue costs	422	420	305
Change in deferred income taxes	5,365	4,490	4,309
Change in revaluation of put-right liability	82	(2,582)	5
Change in fair value of contingent earn-out consideration	219	1,550	(2,520)
Equity of earnings in unconsolidated affiliate	(1,014)	(955)	(1,175)
Loss (gain) on sale of clinics and fixed assets	836	166	(643)
Impairment of goodwill and other intangible assets	-	17,495	9,112
Impairment of assets held for sale	2,418	-	-
Other	-	-	(83)
Changes in operating assets and liabilities:			
Increase in patient accounts receivable	(5,346)	(5,645)	(10,279)
Increase in accounts receivable - other	(6,548)	(356)	(307)
Increase in other current and long term assets	(818)	(197)	(5,940)
Decrease (increase) in accounts payable and accrued expenses	1,713	15	(7,755)
(Increase) decrease in other long-term liabilities	(1,405)	1,254	2,546
Net cash provided by operating activities	<u>74,940</u>	<u>81,978</u>	<u>58,537</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(9,186)	(9,294)	(8,248)
Purchase of majority interest in businesses, net of cash acquired	(133,087)	(26,582)	(59,788)
Purchase of redeemable non-controlling interest, temporary equity	(8,052)	(10,986)	(14,987)
Purchase of non controlling interest, permanent equity	(1,004)	(281)	(280)
Proceeds on sale of non-controlling interest, permanent equity	26	102	-
Proceeds on sale of partnership interest - redeemable non-controlling interest, temporary equity	79	875	402
Distributions from unconsolidated affiliate	1,080	830	1,259
Proceeds on sale of partnership interest, clinics and fixed assets	-	-	373
Other	694	321	-
Net cash used in investing activities	<u>(149,450)</u>	<u>(45,015)</u>	<u>(81,269)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock pursuant to the secondary public offering, net of issuance costs	-	163,646	-
Proceeds from revolving facility	19,000	24,000	101,000
Distributions to non-controlling interest, permanent and temporary equity	(14,711)	(16,100)	(15,348)
Cash dividends paid to shareholders	(26,540)	(24,128)	(21,321)
Payments on revolving facility	(8,000)	(55,000)	(184,000)
Principal payments on notes payable	(2,952)	(4,400)	(930)
Payments on term loan	(3,750)	(3,750)	(1,875)
Proceeds from term loan	-	-	150,000
Payment of deferred financing costs	-	-	(1,779)
Other	-	-	12
Net cash (used in) provided by financing activities	<u>(36,953)</u>	<u>84,268</u>	<u>25,759</u>
Net (decrease) increase in cash and cash equivalents	(111,463)	121,231	3,027
Cash and cash equivalents - beginning of period	152,825	31,594	28,567
Cash and cash equivalents - end of period	<u>\$ 41,362</u>	<u>\$ 152,825</u>	<u>\$ 31,594</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid during the period for:			
Income taxes	\$ 4,832	\$ 4,926	\$ 7,615
Interest paid	7,209	8,655	5,687
Non-cash investing and financing transactions during the period:			
Purchase of businesses - seller financing portion	2,060	1,815	1,574
Liabilities assumed associated with a purchase of a business	670	524	-
Fair market value of initial contingent consideration related to purchase of businesses	17,672	200	3,357
Notes payable related to purchase of redeemable non-controlling interest, temporary equity	71	1,087	1,074
Notes payable related to the purchase of non-controlling interest, permanent equity	-	200	296
Notes receivable related to sale of redeemable non-controlling interest	1,890	4,136	1,580
Notes receivable related to the sale of non-controlling interest, permanent equity	282	458	-
Offset to notes receivable associated with purchase of redeemable non-controlling interest	726	-	-
Issuance of restricted stock related to purchase of business	1,500	-	-

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024, 2023 and 2022**

**1. Organization, Nature of Operations and Basis of Presentation**

The consolidated financial statements include the accounts of U.S. Physical Therapy, Inc., its subsidiaries, and variable interest entities for which the Company has determined it is the primary beneficiary (the “Company”). All significant intercompany transactions and balances have been eliminated.

The Company operates its business through two reportable business segments. The Company’s reportable segments include the physical therapy operations segment and the industrial injury prevention services (“IIP”) segment. The Company’s physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventive care, rehabilitation of injured workers and neurological injuries. Services provided by the IIP segment include onsite injury prevention and rehabilitation, performance optimization and ergonomic assessments.

During the last three years, the Company completed the acquisitions of the following clinic practices and IIP businesses detailed below:

<b>Acquisition</b>	<b>Date</b>	<b>% Interest Acquired</b>	<b>Number of Clinics</b>
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9
October 2023 Acquisition	October 31, 2023	***	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1
November 2022 Acquisition	November 30, 2022	80%	13
October 2022 Acquisition	October 31, 2022	60%	14
September 2022 Acquisition	September 30, 2022	80%	2
August 2022 Acquisition	August 31, 2022	70%	6
March 2022 Acquisition	March 31, 2022	70%	6

\* IIP business.

\*\* On April 30, 2024, one of our IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.

\*\*\* On October 31, 2023, we concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business.

Besides the multi-clinic acquisitions referenced in the table above, during 2024 and 2023, the Company purchased the assets and businesses of eight and nine physical therapy clinics, respectively, in separate transactions.

In May 2023, the Company completed a secondary offering of 1,916,667 shares of its common stock at an offering price of \$90.00 per share. Upon completion of the offering, the Company received net proceeds of approximately \$163.6 million, after deducting an underwriting discount of \$8.6 million and recognizing related fees and expenses of \$0.2 million. A portion of the net proceeds was used to repay the \$35.0 million then outstanding under the Company’s credit facility while the remainder was used primarily for additional acquisitions.

## **2. Significant Accounting Policies**

### ***Cash Equivalents***

The Company maintains its cash and cash equivalents at financial institutions. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The combined account balances at several institutions typically exceed Federal Deposit Insurance Corporation (“FDIC”) insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. Management believes that this risk is not significant.

### ***Long-Lived Assets***

Fixed assets are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for furniture and equipment range from three to eight years and for software purchased from three to seven years. Leasehold improvements are amortized over the shorter of the related lease term or estimated useful lives of the assets, which is generally three to five years.

### ***Goodwill and Other Indefinite-Lived Intangible Assets***

Goodwill represents the excess of the amount paid and fair value of the non-controlling interests over the fair value of the acquired business assets, which include certain identifiable intangible assets. Historically, goodwill has been derived from acquisitions and, prior to 2009, from the purchase of some or all of a particular local management’s equity interest in an existing clinic. Effective January 1, 2009, if the purchase price of a non-controlling interest by the Company exceeds or is less than the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital.

Goodwill and other indefinite-lived intangible assets are not amortized but are instead subject to periodic impairment evaluations. The fair value of goodwill and other identifiable intangible assets with indefinite lives are evaluated for impairment at least annually and upon the occurrence of certain events or conditions and are written down to fair value if considered impaired. These events or conditions include but are not limited to a significant adverse change in the business environment, regulatory environment, or legal factors; a current period operating, or cash flow loss combined with a history of such losses or a projection of continuing losses; or a sale or disposition of a significant portion of a reporting unit. The occurrence of one of these events or conditions could significantly impact an impairment assessment, necessitating an impairment charge. The Company evaluates indefinite-lived tradenames in conjunction with our annual goodwill impairment test and upon the occurrence of certain events and conditions mentioned above.

**Impairment of Goodwill, Other Indefinite-Lived Intangible Assets and Long-Lived Assets**

The Company operates its business through two segments consisting of physical therapy clinics and an IIP business. For the purposes of goodwill impairment analysis, the segments are further broken down into reporting units. Reporting units within our physical therapy business are comprised of six regions primarily based on each clinic's location. In addition to the six regions, in 2024 and 2023, the IIP business consisted of two reporting units.

As part of the impairment analysis, the Company is first required to assess qualitatively if it can conclude whether goodwill is more likely than not impaired. If goodwill is more likely than not impaired, it is then required to complete a quantitative analysis of whether a reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company considers relevant events or circumstances that affect the fair value or carrying amount of a reporting unit. The Company considers both the income and market approach in determining the fair value of its reporting units when performing a quantitative analysis.

An impairment loss generally would be recognized when the carrying amount of the net assets of a reporting unit, inclusive of goodwill and other identifiable intangible assets, exceeds the estimated fair value of the reporting unit.

Additionally, the Company reviews property and equipment and intangible assets with finite lives for impairment upon the occurrence of certain events or circumstances that indicate the related amounts may be impaired.

The Company recorded a non-cash impairment charge of \$2.4 million related to assets held-for-sale (described in *Note 7, Assets Held for Sale*), of which \$1.6 million was attributed to referral relationships, \$0.5 million was attributed to tradename and \$0.3 was attributed to other assets, during the year ended December 31, 2024, a non-cash impairment charge of \$17.5 million, of which \$15.8 million of goodwill and \$1.7 million of tradename, during the year ended December 31, 2023 and a non-cash goodwill impairment charge of \$9.1 million during the year ended December 31, 2022. The impairment charge during the years ended December 31, 2023 and 2022 were related to a reporting unit in the IIP business as a result of a change in the reporting unit's current and projected operating income as well as various market inputs based on current market conditions.

The Company will continue to monitor for any triggering events or other indicators of impairment.

**Variable interest entities**

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support, or is structured such that its equity holders do not have power over the activities of the entity; have voting rights, as a group, that are not proportionate to their economic interests; or are not exposed to the residual losses or benefits of the entity.

At the inception of a contractual agreement, the Company determines whether it holds a variable interest in a legal entity that is a VIE and whether it is the primary beneficiary of the VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the Company concludes it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE. The Company regularly reviews and reconsiders previous conclusions regarding whether the Company holds a variable interest in a potential VIE, the status of an entity as a VIE, and whether it is the primary beneficiary of a VIE.

**Investment in unconsolidated affiliates**

Investments in unconsolidated affiliates, in which the Company has less than a controlling interest, are accounted for under the equity method of accounting and, accordingly, are adjusted for capital contributions, distributions and the Company's equity in net earnings or loss of the respective joint venture.

### ***Redeemable Non-Controlling Interest***

The non-controlling interest that is reflected as redeemable non-controlling interest in the consolidated financial statements consists of those in which the owners and the Company have certain redemption rights, whether currently exercisable or not, and which currently, or in the future, require that the Company purchase or the owner sell the non-controlling interest held by the owner, if certain conditions are met. The purchase price is derived at a predetermined formula based on a multiple of trailing twelve months earnings performance as defined in the respective limited partnership agreements. Most of these redemption rights can be triggered by the owner or the Company at such time as both of the following events have occurred: 1) termination of the owner's employment, regardless of the reason for such termination, and 2) the passage of specified number of years after the closing of the transaction, typically three to five years, as defined in the limited partnership agreement. Other redemption rights can be triggered by the owner after the passage of a certain period of time. The redemption rights are not automatic or mandatory (even upon death) and require either the owner or the Company to exercise its rights when the conditions triggering the redemption rights have been satisfied.

On the date the Company acquires a controlling interest in a partnership, and the limited partnership agreement for such partnership contains redemption rights not under the control of the Company, the fair value of the non-controlling interest is recorded in the consolidated balance sheet under the caption—Redeemable non-controlling interest – temporary equity. Then, in each reporting period thereafter until it is purchased by the Company, the redeemable non-controlling interest is adjusted to the greater of its then current redemption value or initial carrying value, based on the predetermined formula defined in the respective limited partnership agreement. As a result, the value of the non-controlling interest is not adjusted below its initial carrying value. The Company records any adjustment in the redemption value, net of tax, directly to retained earnings and are not reflected in the consolidated statements of net income. Although the adjustments are not reflected in the consolidated statements of net income, current accounting rules require that the Company reflects the adjustments, net of tax, in the earnings per share calculation. The amount of net income attributable to redeemable non-controlling interest owners is included in consolidated net income on the face of the consolidated statements of net income. Management believes the redemption value (i.e. the carrying amount) and fair value are the same.

### ***Non-Controlling Interest***

The Company recognizes non-controlling interest, in which the Company has no obligation but the right to purchase the non-controlling interest, as permanent equity in the consolidated financial statements separate from the parent entity's equity. The amount of net income attributable to non-controlling interests is included in consolidated net income on the face of the statements of net income. Changes in a parent entity's ownership interest in a subsidiary that do not result in deconsolidation are treated as equity transactions if the parent entity retains its controlling financial interest. The Company recognizes a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the non-controlling equity investment on the deconsolidation date.

When the purchase price of a non-controlling interest by the Company exceeds the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital. Additionally, operating losses are allocated to non-controlling interests even when such allocation creates a deficit balance for the non-controlling interest partner.

### ***Revenue Recognition***

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606. For ASC 606, there is an implied contract between us and the patient upon each patient visit. Separate contractual arrangements exist between us and third-party payors (e.g. insurers, managed care programs, government programs, workers' compensation) which establish the amounts the third parties pay on behalf of the patients for covered services rendered. While these agreements are not considered contracts with the customer, they are used for determining the transaction price for services provided to the patients covered by the third-party payors. The payor contracts do not indicate performance obligations for us but indicate reimbursement rates for patients who are covered by those payors when the services are provided. At that time, the Company is obligated to provide services for the reimbursement rates stipulated in the payor contracts. The execution of the contract alone does not indicate a performance obligation. For self-paying customers, the performance obligation exists when we provide the services at established rates. The difference between the Company's established rate and the anticipated reimbursement rate is accounted for as an offset to revenue—contractual allowance. Payments for services rendered are typically due 30 to 120 days after receipt of the invoice.

### *Patient revenue*

Net patient revenue consists of revenues for physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenues (patient revenues less estimated contractual adjustments, see – *Contractual Adjustments*, for additional information) are recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. There is an implied contract between us and the patient upon each patient visit. Generally, this occurs as the Company (or a physical therapist owned practice managed by the Company) provides physical and occupational therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company has agreements with third-party payors that provide payments to the Company at amounts different from its established rates.

### *Other Revenue*

Revenue from the IIP business, which is included in other revenue in the consolidated statements of net income, is derived from onsite services the Company provides to clients' employees including injury prevention, rehabilitation, ergonomic assessments, post-offer employment testing and performance optimization. Revenue from the Company's IIP business is recognized when obligations under the terms of the contract are satisfied. Revenues are recognized at an amount equal to the consideration the company expects to receive in exchange for providing injury prevention services to its clients. The revenue is determined and recognized based on the number of hours and respective rate for services provided in a given period.

Revenue from management agreements with third-party physicians and hospitals, which is also included in other revenue, is derived from contractual arrangements whereby the Company manages a clinic for third party physicians and hospitals. The Company does not have any ownership interest in these clinics. Typically, revenue is determined based on the number of visits conducted at the clinic and recognized at a point in time when services are performed. Costs, typically salaries for the Company's employees, are recorded when incurred. Management contract revenue was \$9.8 million, \$8.6 million, and \$8.1 million for the years ended December 31, 2024, December 31, 2023, and December 31, 2022, respectively.

Additionally, other revenue from physical therapy operations includes services the Company provides on-site at locations such as schools and industrial worksites for physical or occupational therapy services, athletic trainers and gym membership fees. Contract terms and rates are agreed to in advance between the Company and the third parties. Services are typically performed over the contract period and revenue is recorded at the point of service. If the services are paid in advance, revenue is recorded as a contract liability over the period of the agreement and recognized at the point in time, when the services are performed.

### *Contractual Allowances*

The allowance for estimated contractual adjustments is based on terms of payor contracts and historical collection and write-off experience. Contractual allowances result from the differences between the rates charged for services performed and expected reimbursements by both insurance companies and government sponsored healthcare programs for such services. Medicare regulations and the various third-party payors and managed care contracts are often complex and may include multiple reimbursement mechanisms payable for the services provided in Company clinics. The Company estimates contractual allowances based on its interpretation of the applicable regulations, payor contracts and historical calculations. Each month the Company estimates its contractual allowance for each clinic based on payor contracts and the historical collection experience of the clinic and applies an appropriate contractual allowance reserve percentage to the gross accounts receivable balances for each payor of the clinic. Based on the Company's historical experience, calculating the contractual allowance reserve percentage at the payor level is sufficient to allow the Company to provide the necessary detail and accuracy with its collectability estimates. However, the services authorized and provided and related reimbursement are subject to interpretation that could result in payments that differ from the Company's estimates. Payor terms are periodically revised necessitating continual review and assessment of the estimates made by management. The Company's billing system does not capture the exact change in its contractual allowance reserve estimate from period to period in order to assess the accuracy of its revenues and hence its contractual allowance reserves. Management regularly compares its cash collections to corresponding net revenues measured both in the aggregate and on a clinic-by-clinic basis. In the aggregate, historically the difference between net revenues and corresponding cash collections for any fiscal year has generally reflected a difference within approximately 1% to 1.5% of net revenues. Additionally, analysis of subsequent periods' contractual write-offs on a payor basis reflects a difference within approximately 1.0% to 1.5% between the actual aggregate contractual reserve percentage as compared to the estimated contractual allowance reserve percentage associated with the same period end balance. As a result, the Company believes that a change in the contractual allowance reserve estimate would not likely be more than 1.0% to 1.5% of gross billings included in accounts receivable at both December 31, 2024 and December 31, 2023.

**Provision for Credit Losses**

The Company determines allowances for credit losses based on the specific agings and payor classifications at each clinic. The provision for credit losses is included in operating costs in the consolidated statements of net income. Patient accounts receivable, which are stated at the historical carrying amount net of contractual allowances, write-offs and provision for credit losses, includes only those amounts the Company estimates to be collectible. The Company's accounts receivable balance, less provision for credit losses was \$51.9 million as of December 31, 2022 and \$46.3 million on January 1, 2022.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount to be recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company records interest or penalties in interest and other expense, in the consolidated statements of net income. The Company did not have any interest or penalties in each of the years ended December 31, 2024, 2023 and 2022.

**Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation at the measurement date.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on the Company’s own assumptions.

The carrying amounts reported in the balance sheets for cash and cash equivalents, contingent earn-out payments, accounts receivable, accounts payable and notes payable approximate their fair values due to the short-term maturity of these financial instruments. The carrying amount under the Credit Agreement approximates the fair value due to the proximity of the debt issue date and the balance sheet date and the variable component of interest on debt. The interest rate on the Credit Agreement is tied to the Secured Overnight Financing Rate (“SOFR”).

The put right associated with the potential future purchase of the separate company in the November 2021 acquisition are both is also marked to fair value on a recurring basis using Level 3 inputs. The put right associated with the potential future purchase of the separate company in the IIP business is determined using a Monte Carlo simulation model utilizing unobservable inputs such as asset volatility and discount rates. The unobservable inputs in the valuation include asset volatility of 20.0% and a discount rate of 11.6%. The value of the put right associated with the potential future purchase of a company in the IIP business increased \$0.1 million from \$1.0 million on December 31, 2023 to approximately \$1.1 million on December 31, 2024. Accordingly, the Company recognized a loss of \$0.1 million on this change in revaluation for the twelve months ended December 31, 2024. The Company recognized a gain of \$2.6 million on this change in revaluation for the twelve months ended December 31, 2023.

The valuations of the Company’s interest rate derivative is measured as the present value of all expected future cash flows based on SOFR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty which is a Level 2 fair value measurement. The fair value of the interest rate swap on December 31, 2024, was \$3.8 million, of which \$1.8 million has been included within other current assets and \$2.0 million has been included in other assets in the accompanying Consolidated Balance Sheet. The impact of the interest rate swap on the accompanying Consolidated Statements of Comprehensive Income was an unrealized gain of \$0.1 million, net of tax for the year December 31, 2024 and a loss of \$1.2 million, net of tax, for the year ended December 31, 2023.

The consideration for some of the Company’s acquisitions includes future payments that are contingent upon the occurrence of future operational objectives being met. The Company estimates the fair value of contingent consideration obligations through valuation models designed to estimate the probability of such contingent payments based on various assumptions and incorporating estimated success rates. These fair value measurements are based on significant inputs not observable in the market. Substantial judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions could have a material impact on the amount of contingent consideration expense the Company records in any given period. The Company determined the fair value of its contingent consideration obligations to be \$17.6 million and \$9.8 million on December 31, 2024, and 2023, respectively.

The redemption value of redeemable non-controlling interests approximates the fair value. See Note 6 for the changes in the fair value of Redeemable non-controlling interest.

### ***Segment Reporting***

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by chief operating decision makers in determining the allocation of resources and in assessing performance. The Company currently operates through two segments: physical therapy operations and industrial injury prevention services.

### ***Use of Estimates***

In preparing the Company’s consolidated financial statements, management makes certain estimates and assumptions, especially in relation to, but not limited to, goodwill impairment, tradenames, allocations of purchase price, allowance for receivables, tax provision and contractual allowances, that affect the amounts reported in the consolidated financial statements and related disclosures. Actual results may differ from these estimates.



### **Self-Insurance Program**

The Company utilizes a self-insurance plan for its employee group health and dental insurance coverage administered by a third party. Predetermined loss limits have been arranged with the insurance company to minimize the Company's maximum liability and cash outlay. Accrued expenses include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims. The management believes that the current accrued amounts are sufficient to pay claims arising from self-insurance claims incurred through December 31, 2024.

### **Restricted Stock**

Restricted stock issued to employees and directors is subject to continued employment or continued service on the board, respectively. Generally, restrictions on the stock granted to employees lapse in equal annual installments on the following four anniversaries of the date of grant. For those shares granted to directors, the restrictions will lapse in equal quarterly installments during the first year after the date of grant. For those granted to officers and senior management, the restriction will lapse in equal quarterly installments during the four years following the date of grant. Compensation expense for grants of restricted stock is recognized based on the fair value per share on the date of grant amortized over the vesting period. The Company recognizes any forfeitures as they occur. The restricted stock issued is included in basic and diluted shares for the earnings per share computation.

### **Reclassification of Prior Period Presentation**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

### **Immaterial out of period adjustment**

During the fourth quarter of 2024, the Company identified an error in the calculation of the Company's contingent consideration liability related to a certain acquisition which impacted the previously issued financial statements. The error was related to an incorrect input used in the initial valuation of the contingent consideration liability and subsequent mark-to-market remeasurements. Specifically, the error resulted in an overstatement of net income by \$1.2 million for the year ended December 31, 2023, and an understatement of net income for the quarters ended March 31, 2024, June 30, 2024, and September 30, 2024 by \$0.8 million, \$4.3 million, and \$0.6 million, respectively. The Company determined the error to be immaterial to the previously issued financial statements and corrected it as an out-of-period adjustment during the fourth quarter of 2024.

### **Recently Adopted Accounting Guidance**

In August 2020, the FASB issued ASU 2020-06 *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. As part of this update, convertible instruments are to be included in diluted earnings per share using the if-converted method, rather than the treasury stock method. Further, contracts which can be settled in cash or shares, excluding liability-classified share-based payment awards, are to be included in diluted earnings per share on an if-converted basis if the effect is dilutive, regardless of whether the entity or the counterparty can choose between cash and share settlement. The share-settlement presumption may not be rebutted based on past experience or a stated policy.

This pronouncement was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. The Board specified that an entity should adopt the guidance at the beginning of its annual fiscal year. The Company adopted this pronouncement as of January 1, 2022. The use of either the modified retrospective or fully retrospective method of transition is permitted. The adoption of ASU 2020-06 did not have a material impact on the Company's financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The new guidance was effective upon issuance, and the Company has elected to apply the amendments prospectively through December 31, 2022. Borrowings under the Company's Credit Agreement bear interest based on SOFR.

In March 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-01, *Leases (Topic 842): Common Control Arrangements*, which requires companies to amortize leasehold improvements associated with related party leases under common control over the useful life of the leasehold improvement to the common control group. The Company completed the adoption of ASU 2023-01 on January 1, 2024 and there was no material impact on the Company's financial statements.

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker and included within the reported measure of segment profit or loss. In addition, the ASU requires disclosure of other segment expenses by reportable segment and a description of their composition to permit the reconciliation between segment revenue, significant segment expenses and the reported segment measure of profit or loss. The ASU also requires disclosure of the name and title of the chief operating decision maker. The Company completed the adoption of ASU 2023-07 on January 1, 2024 and there was no material impact on the Company's segment disclosures.

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure on an annual basis, a tabular reconciliation, including both amount and percentage of specific categories of the effective tax rate reconciliation, including state and local income taxes (net of Federal taxes), foreign taxes, effects of changes in tax laws and regulations, effects of cross-border tax laws, tax credits, changes in valuation allowances, nontaxable and nondeductible items and changes in unrecognized tax benefits. Additional disclosures are required for certain items exceeding five percent of income from continuing operations multiplied by the statutory income tax rate. The standard also requires disclosure of income taxes paid between Federal, state and foreign jurisdictions, including further disaggregation of those payments exceeding five percent of the total income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company will implement this standard as of January 1, 2025, and anticipates no significant impact on its consolidated financial statements.

### **3. Earnings Per Share**

Basic and diluted earnings per share is computed using the two-class method, which is an earnings allocation method that determines earnings per share for common shares and participating securities. The restricted stock the Company grants are participating securities containing non-forfeitable rights to receive dividends. Accordingly, any unvested shares of restricted stock is included in the basic and diluted earnings per share computation. Additionally, in accordance with current accounting guidance, the revaluation of redeemable non-controlling interest (see *Note 6 Redeemable Non-Controlling Interest*), net of tax, charged directly to retained earnings is included in the earnings per basic and diluted share calculation.

The table below shows the calculation of basic and diluted earnings for the periods presented.

	For the Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
(In thousands, except per share data)			
Computation of earnings per share - USPH shareholders:			
Net income attributable to USPH shareholders	\$ 31,424	\$ 28,239	\$ 32,158
Charges to retained earnings:			
Revaluation of redeemable non-controlling interest	(4,964)	(13,565)	(3,890)
Tax effect at statutory rate (federal and state)	1,268	3,466	994
	<u>\$ 27,728</u>	<u>\$ 18,140</u>	<u>\$ 29,262</u>
Earnings per share (basic and diluted)	<u>\$ 1.84</u>	<u>\$ 1.28</u>	<u>\$ 2.25</u>
Shares used in computation:			
Basic and diluted earnings per share - weighted-average shares	<u>15,064</u>	<u>14,188</u>	<u>12,985</u>

#### 4. Acquisitions of Businesses

The Company's strategy is to continue acquiring and managing multi-clinic outpatient physical therapy practices, to develop outpatient physical therapy clinics as satellites in existing partnerships and to continue acquiring companies that provide and serve the IIP sector. The consideration paid for each acquisition is derived through arm's length negotiations and funded through working capital, borrowings under the Company's revolving credit facilities or proceeds from the secondary offering discussed in Note 1.

The finalized purchase prices plus the fair value of the non-controlling interests for the acquisitions in 2023 and 2022 were allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets, i.e. trade names, referral relationships and non-compete agreements, and liabilities assumed based on the fair values at the acquisition date, with the amount exceeding the fair values being recorded as goodwill. For the acquisitions in 2024, the Company is in the process of completing its formal valuation analysis to identify and determine the fair value of tangible and identifiable intangible assets acquired and the liabilities assumed. Thus, the final allocation of the purchase price may differ from the preliminary estimates used at December 31, 2024 based on additional information obtained and completion of the valuation of the identifiable intangible assets. Changes in the estimated valuation of the tangible assets acquired, the completion of the valuation of identifiable intangible assets and the completion by the Company of the identification of any unrecorded pre-acquisition contingencies, where the liability is probable and the amount can be reasonably estimated, will likely result in adjustments to goodwill. The Company does not expect the adjustments to be material.

During 2024, 2023 and 2022, the Company acquired a majority interest in the following businesses:

##### 2024 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9

\* IIP business

\*\* On April 30, 2024, one of the Company's primary IIP business, Briotix Health Limited Partnership, acquired 100% of an IIP business.

On November 30, 2024, the Company acquired a 75% equity interest in an eight-clinic physical therapy practice. The owner of the practice retained 25% of the equity interests. The purchase price for the 75% equity interest was approximately \$15.9 million, of which \$15.7 million was paid in cash, and \$0.2 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest is payable on December 1, 2026.

On October 31, 2024, the Company acquired 50% interest in MSO Metro, LLC (“Metro”) pursuant to the Equity Interest Purchase Agreement (the “Purchase Agreement”) dated October 7, 2024 among U.S. Physical Therapy, Ltd. (a subsidiary of the Company), Metro, the members of Metro, and Michael G. Mayrsohn, as Sellers’ Representative. The Company also became the managing member of Metro.

At the closing, the Company paid the purchase price of approximately \$76.5 million, \$75.0 million of which was funded by its cash on hand and the remaining \$1.5 million through the issuance of 18,358 shares of the Company’s common stock based on a trailing five-day average as of the day immediately prior to closing. The shares of the Company’s common stock were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act. The Purchase Agreement also includes an earnout where the sellers can earn up to another \$20.0 million of consideration if certain performance criteria relating to the Metro business are achieved. The contingent consideration is valued at \$11.3 million at December 31, 2024. In addition, as part of the transaction, Mr. Mayrsohn and the other owners have the right to require the Company to purchase up to 20% of the Metro equity, commencing on the third anniversary of the Metro transaction closing. In connection with the Metro transaction, on October 2, 2024, the Company’s Board of Directors approved the appointment of Mr. Mayrsohn as a director of the Company, effective as of February 24, 2025, contingent on the completion of the Metro transaction. Subsequently, on February 24, 2025, the Company’s Board of Directors took formal action to allow Mr. Mayrsohn to focus on the integration and operations of the Metro business, and instead approved the nomination of Mr. Mayrsohn to serve on the Company’s Board of Directors and that he be included in the Proxy Statement for the Company’s Annual Meeting of Stockholders to be held on May 20, 2025.

On August 31, 2024, the Company acquired a 70% equity interest in an eight-clinic practice physical therapy and the original practice owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately \$2.0 million. As part of the transaction, the Company agreed to additional contingent consideration if future operational and financial objectives are met. The maximum amount of additional contingent consideration due under this agreement is \$3.6 million. The contingent consideration was valued at \$3.2 million on December 31, 2024.

On April 30, 2024, the Company acquired 100% of an IIP business through one of its primary IIP businesses, Briotix Health Limited Partnership, for a purchase price of approximately \$24.0 million, of which \$0.5 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and the interest are payable on May 1, 2025. As part of the transaction, the Company agreed to additional contingent consideration if future operational objectives are met by the business. The maximum amount of additional contingent consideration due under this agreement is \$10.0 million. The contingent consideration was valued at \$2.5 million as of December 31, 2024.

On March 29, 2024, the Company acquired a 50% equity interest in a nine-clinic physical therapy and hand therapy practice (“March 2024 Acquisition”). The original owners of the practice retained the remaining 50%. The purchase price for the 50% equity interest was approximately \$16.4 million, of which \$0.5 million was in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and the interest are payable on March 29, 2026. As part of the transaction, the Company agreed to additional contingent consideration if future operational and financial objectives are met. There is no maximum payout. The contingent consideration was valued at \$0.2 million on December 31, 2024.

The purchase prices for the 2024 acquisitions have been preliminarily allocated as follows.

	<b>For the Year Ended December 31, 2024</b>		
	<b>IIP</b>	<b>Physical Therapy</b>	
		<b>Operations</b>	
	<b>(In thousands)</b>		
Cash paid, net of cash acquired	\$ 23,106	\$ 109,981	\$ 133,087
Seller note	455	1,220	1,675
Granted shares	-	1,500	1,500
Contingent payments	2,100	15,571	17,671
<b>Total consideration</b>	<b>\$ 25,661</b>	<b>\$ 128,272</b>	<b>\$ 153,933</b>
<b>Estimated fair value of net tangible assets acquired:</b>			
Total current assets	\$ 1,211	\$ 9,691	\$ 10,902
Total non-current assets	218	31,109	31,327
Total liabilities	(541)	(28,502)	(29,043)
<b>Net tangible assets acquired</b>	<b>888</b>	<b>12,298</b>	<b>13,186</b>
Customer and referral relationships	6,708	54,018	60,726
Non-compete agreement	261	3,293	3,554
Tradenames	1,331	12,310	13,641
Goodwill	16,473	148,056	164,529
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	-	(101,703)	(101,703)
	<b>\$ 25,661</b>	<b>\$ 128,272</b>	<b>\$ 153,933</b>

Total current assets primarily represent accounts receivable while total non-current assets consist of fixed assets and equipment used in the practice.

For the acquisitions in 2024, the values assigned to the customer and referral relationships and non-compete agreement are being amortized on a straight-line basis over their respective estimated lives. For customer and referral relationships, the weighted-average amortization period is 12.0 years. For the non-compete agreements, the weighted-average amortization period is 5.0 years. The values assigned to tradenames are tested annually for impairment.

Following are the supplemental consolidated financial results of U.S. Physical Therapy Inc. on an unaudited pro forma basis, as if the 2024 acquisitions had been consummated on January 1, 2023.

	<b>For the Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>(In thousands)</b>	
Net revenue	\$ 763,954	\$ 678,743
Net income	\$ 52,927	\$ 42,421

These pro forma results were based on estimates and assumptions which the Company believes are reasonable. They are not necessarily indicative of the Company's consolidated results of operations in future periods. The pro forma results include adjustments related to purchase accounting, primarily amortization of intangible assets, and other adjustments which are included in the earliest period presented.

#### **Variable Interest Entities**

During 2024, the Company acquired interests in the March 2024 Acquisition and Metro and paid the purchase prices of approximately \$16.4 million and \$76.5 million, respectively, as of the dates and to the extent below.

Acquisition	Date	% Interest Acquired	Number of Clinics
Metro	October 31, 2024	50%	50
March 2024 Acquisition	March 29, 2024	50%	9

The Company's acquisitions include future payments that are contingent upon the occurrence of future operational objectives being met. The Company estimates the fair value of contingent consideration obligations through valuation models designed to estimate the probability of such contingent payments based on various assumptions and incorporating estimated success rates. These fair value measurements are based on significant inputs not observable in the market. Substantial judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. The Company determined the fair value of its contingent consideration obligation to be \$11.3 million and \$0.2 million for MSO Metro LLC and the March 2024 Acquisition, at December 31, 2024 respectively.

The Company determined that these entities are variable interest entities and that it is the primary beneficiary of these VIEs. The Company consolidates the VIEs since it controls the management and operating activities that are most significant to the VIEs' economic performance and its ownership interests expose the Company to the risks and benefits that could potentially be significant to each VIE.

The assets of the VIEs recognized in consolidation may only be used to settle obligations of each respective VIE and may not be used to satisfy claims of the Company, and the creditors of each VIE do not have recourse to the Company's general credit.

The following table presents the assets and liabilities of the Company's VIEs as of December 31, 2024, excluding intercompany balances that are eliminated in consolidation.

**Assets and liabilities of the VIEs:**

	<b>December 31, 2024</b>
	<b>(In thousands)</b>
Current assets	\$ 9,660
Non-current assets	36,523
<b>Total assets</b>	<b>\$ 46,183</b>
Current liabilities	\$ 5,321
Non-current liabilities	28,817
<b>Total liabilities</b>	<b>\$ 34,138</b>

**Operating results of the VIEs**

	<b>For the Year Ended December 31, 2024</b>
	<b>(In thousands)</b>
Net revenue	\$ 19,138
Operating cost:	
Salaries and related costs	11,903
Rent, supplies, contract labor and other	4,883
Provision for credit losses	188
Total operating cost	<u>16,974</u>
Gross profit	2,164
Other expense	<u>3</u>
Income before taxes	<u>\$ 2,161</u>

**2023 Acquisitions**

<b>Acquisition</b>	<b>Date</b>	<b>% Interest Acquired</b>	<b>Number of Clinics</b>
October 2023 Acquisition	October 31, 2023	**	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1

\* IIP business

\*\* On October 31, 2023, the Company concurrently acquired 100% of an IIP business and a 55% equity interest in the ergonomics software business ("October 2023 Acquisition").

On October 31, 2023, the Company concurrently acquired 100% of an IIP business and a 55% equity interest in the ergonomics software business. The previous owner of the ergonomics software business retained a 45% equity interest. The total purchase price of the combined businesses was approximately \$4.0 million and was paid in cash.

On September 29, 2023, the Company acquired a 70% equity interest in a four-clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$6.0 million, of which \$5.4 million was paid in cash, and \$0.6 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest are payable in two installments. The first payment of principal and interest of \$0.3 million was paid in January 2024, and the second installment of \$0.3 million is due on September 30, 2025.

In a separate transaction, on September 29, 2023, the Company acquired a 70% equity interest in a single clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$7.8 million, of which \$7.4 million was paid in cash and \$0.4 million is a deferred payment due on June 30, 2025.

On July 31, 2023, the Company acquired a 70% equity interest in a five-clinic practice. The practice's owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately \$2.1 million, of which \$1.8 million was paid in cash and \$0.3 million is a deferred payment due on June 30, 2025.

On May 31, 2023, the Company and a local partner together acquired a 75% interest in a four-clinic physical therapy practice. After the transaction, the Company's ownership interest is 45%, the Company's local partner's ownership interest is 30%, and the practice's pre-acquisition owners have a 25% ownership interest. The purchase price for the 75% equity interest was approximately \$3.1 million, of which \$1.7 million was paid in cash by the Company, \$1.1 million was paid in cash by the local partner, and \$0.3 million was in the form of a note payable. The note was paid in full on July 1, 2024 (\$0.2 million was paid by the Company and \$0.1 million was paid by the local partner).

On February 28, 2023, the Company acquired an 80% interest in a one-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for the 80% equity interest was approximately \$6.2 million, of which \$5.8 million was paid in cash and \$0.4 million in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and interest were paid on February 28, 2025.

The purchase prices for the 2023 acquisitions has been allocated as follows.

	<b>For the Year Ended December 31, 2023</b>		
	<b>IIP</b>	<b>Physical Therapy Operations</b>	<b>Total</b>
	(In thousands)		
Cash paid, net of cash acquired	\$ 3,955	\$ 22,627	\$ 26,582
Seller note	-	985	985
Deferred payments	-	830	830
Contingent payments	-	200	200
<b>Total consideration</b>	<b>\$ 3,955</b>	<b>\$ 24,642</b>	<b>\$ 28,597</b>
<b>Estimated fair value of net tangible assets acquired:</b>			
Total current assets	\$ 392	\$ 1,141	\$ 1,533
Total non-current assets	335	3,149	3,484
Total liabilities	(41)	(3,163)	(3,204)
<b>Net tangible assets acquired</b>	<b>686</b>	<b>1,127</b>	<b>1,813</b>
Customer and referral relationships	757	6,819	7,576
Non-compete agreement	37	329	366
Tradenames	187	1,680	1,867
Goodwill	2,562	25,521	28,083
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	(274)	(10,834)	(11,108)
	<b>\$ 3,955</b>	<b>\$ 24,642</b>	<b>\$ 28,597</b>

**2022 Acquisitions**

<b>Acquisition</b>	<b>Date</b>	<b>% Interest Acquired</b>	<b>Number of Clinics</b>
November 2022 Acquisition	November 30, 2022	80%	13
October 2022 Acquisition	October 31, 2022	60%	14
September 2022 Acquisition	September 30, 2022	80%	2
August 2022 Acquisition	August 31, 2022	70%	6
March 2022 Acquisition	March 31, 2022	70%	6

On November 30, 2022, the Company acquired an 80% interest in a thirteen-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for the 80% equity interest was approximately \$25.0 million, of which \$24.2 million was paid in cash and \$0.8 million in the form of a note payable. The note accrues interest at 7.0% per annum and the principal and interest was paid on November 30, 2024. As part of the acquisition, the Company agreed to additional contingent consideration of up to \$1.6 million if future operational objectives were met. The future operational objectives were not met, and no additional payment was made.

On October 31, 2022, the Company acquired a 60% interest in a fourteen-clinic physical therapy practice. The practice's owners retained 40% of the equity interests. The purchase price for the 60% equity interest was approximately \$19.5 million, with additional contingent consideration if certain future operational objectives were met. The Company paid \$9.7 million of additional contingent consideration related to this transaction on December 10, 2024.



On September 30, 2022, the Company acquired an 80% interest in a two-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for the 80% equity interest was approximately \$4.2 million, of which \$3.9 million was paid in cash and \$0.3 million in the form of a note payable. The note accrues interest at 5.5% per annum and the principal and interest were paid on September 30, 2024.

On August 31, 2022, the Company acquired 70% interest in a six-clinic physical therapy practice. The practice's owners retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$3.5 million, of which \$3.3 million was paid in cash and \$0.2 million in the form of a note payable. The note accrues interest at 5.5% per annum and the principal and interest were paid on August 31, 2024.

On March 31, 2022, the Company acquired a 70% interest in a six-clinic physical therapy practice. The practice's owners retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately \$11.5 million, of which \$11.2 million was paid in cash and \$0.3 million in the form of a note payable. The note accrues interest at 3.5% per annum and the principal and interest were paid on March 31, 2024.

The purchase price for the 2022 acquisitions has been allocated as follows.

	<b>Physical Therapy Operations</b>
	<b>(In thousands)</b>
Cash paid, net of cash acquired	\$ 59,788
Seller notes	1,574
Contingent payments	10,000
Total consideration	<u>\$ 71,362</u>
Estimated fair value of net tangible assets acquired:	
Total current assets	\$ 1,329
Total non-current assets	7,798
Total liabilities	<u>(10,930)</u>
Net tangible assets acquired	(1,803)
Customer and referral relationships	18,062
Non-compete agreements	934
Tradenames	5,445
Goodwill	75,525
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	<u>(26,801)</u>
	<u>\$ 71,362</u>

Total current assets primarily represent accounts receivable while total non-current assets consist of fixed assets and equipment used in the practice.

The purchase price plus the fair value of the non-controlling interests for the acquisitions in 2022 were allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets, (i.e. trade names, referral relationships and non-compete agreements) and liabilities assumed based on the fair values at the acquisition date, with the amount exceeding the fair values being recorded as goodwill.

For the acquisitions in 2022, the values assigned to the customer and referral relationships and non-compete agreements are being amortized to expense equally over the respective estimated lives. For customer and referral relationships, the weighted-average amortization period is 12.2 years. For non-compete agreements, the weighted-average amortization period is 5.0 years. The values assigned to tradenames are tested annually for impairment.

#### 5. Acquisitions and Sales of Non-Controlling Interests

During 2024, the Company acquired additional interests in partnerships which are included in non-controlling interests - permanent equity. The additional interests purchased in each of the partnerships ranged from 0.1% to 35.0%. The aggregated purchase price for acquired non-controlling interests – permanent equity was \$0.8 million. The Company also sold interests in six partnerships for an aggregate price of \$0.3 million. The non-controlling interests - permanent equity sold in each of the partnerships ranged from 0.15% to 10.0%.

During 2023, the Company acquired additional interests in three partnerships which are included in non-controlling interests - permanent equity. The additional interests purchased in each of the partnerships ranged from 0.15% to 35.0%. The aggregated purchase price for these acquired interests was \$0.5 million. The Company also sold interests in four partnerships for an aggregate price of \$0.6 million. The non-controlling interests - permanent equity sold in each of the partnerships ranged from 0.5% to 8.0%.

During 2022, the Company acquired additional interests in three partnerships which are included in non-controlling interest. The additional interests purchased in each of the partnerships ranged from 10% to 35%. The aggregated purchase price for these acquired interests was \$0.3 million.

## **6. Redeemable Non-Controlling Interest**

In most of the Company's acquired partnerships, the former practice owner retains an equity interest in our subsidiary which the Company is required to purchase upon the exercise of either the put right or the call right. The applicable purchase price is calculated per the terms of the respective agreements and classified as redeemable non-controlling interest (temporary equity) in our consolidated balance sheets. The terms and conditions regarding repurchase rights and obligations for most of the redeemable non-controlling interests, are summarized below under "Physical Therapy Practice Acquisitions". However, the Company has an agreement that provides for different rights and obligations regarding the particular redeemable non-controlling interests involved in that agreement – described below under "ProgressiveHealth Acquisition".

### Physical Therapy Practice Acquisitions

When the Company acquires a majority interest (the "Acquisition") in a physical therapy clinic (referred to as "Therapy Practice"), these Therapy Practice transactions typically occur in a series of steps which are described below.

1. Prior to the Acquisition, the Therapy Practice exists as a separate legal entity (the "Seller Entity"). The Seller Entity is owned by one or more individuals (the "Selling Shareholders") most of whom are physical therapists that work in the Acquired Therapy Practice and provide physical therapy services to patients.
2. In conjunction with the Acquisition, the Seller Entity contributes the acquired Therapy Practice into a newly-formed limited partnership ("NewCo"), in exchange for one hundred percent (100%) of the limited and general partnership interests in NewCo. Therefore, in this step, NewCo becomes a wholly-owned subsidiary of the Seller Entity.
3. The Company enters into an agreement (the "Purchase Agreement") to acquire from the Seller Entity a majority (ranges from 50% to 90%) of the limited partnership interest and in all cases 100% of the general partnership interest in NewCo. The Company does not purchase 100% of the limited partnership interest because the Selling Shareholders, through the Seller Entity, want to maintain an ownership percentage. The consideration for the Acquisition is primarily payable in the form of cash at closing and a two-year note in lieu of an escrow (the "Purchase Price"). In some of the acquired therapy practice transactions, the Purchase Agreement contains an earn-out or other contingent consideration that is payable to the Seller Entity or the Selling Shareholders.
4. The Company and the Seller Entity also execute a partnership agreement (the "Partnership Agreement") for NewCo that sets forth the rights and obligations of the limited and general partners of NewCo. After the Acquisition, the Company is the general partner of NewCo.
5. As noted above, the Company does not purchase 100% of the limited partnership interests in NewCo and the Seller Entity retains a portion of the limited partnership interest in NewCo ("Seller Entity Interest").
6. In most cases, some or all of the Selling Shareholders enter into an employment agreement (the "Employment Agreement") with NewCo with an initial term that ranges from three to five years (the "Employment Term"), with automatic one-year renewals, unless employment is terminated prior to the end of the Employment Term. As a result, a Selling Shareholder becomes an employee ("Employed Selling Shareholder") of NewCo. The employment of an Employed Selling Shareholder can be terminated by the Employed Selling Shareholder or NewCo, with or without cause, at any time. In a few situations, a Selling Shareholder does not become employed by NewCo and is not involved with NewCo following the closing; in those situations, such Selling Shareholders sell their entire ownership interest in the Seller Entity as of the closing of the Acquisition.

7. The compensation of each Employed Selling Shareholder is specified in the Employment Agreement and is customary and commensurate with his or her responsibilities based on other employees in similar capacities within NewCo, the Company and the industry.
8. The Company and the Selling Shareholder (including both Employed Selling Shareholders and Selling Shareholders not employed by NewCo) execute a non-compete agreement (the "Non-Compete Agreement") which restricts the Selling Shareholder from engaging in competing Therapy Practice activities for a specified period of time (the "Non-Compete Term"). A Non-Compete Agreement is executed with the Selling Shareholders in all cases. That is, even if the Selling Shareholder does not become an Employed Selling Shareholder, the Selling Shareholder is restricted from engaging in a competing Therapy Practice during the Non-Compete Term.
9. The Non-Compete Term commences as of the date of the Acquisition and typically expires on the later of:
  - a. Two years after the date an Employed Selling Shareholders' employment is terminated (if the Selling Shareholder becomes an Employed Selling Shareholder) or
  - b. Five to six years from the date of the Acquisition, as defined in the Non-Compete Agreement, regardless of whether the Selling Shareholder is employed by NewCo.
10. The Non-Compete Agreement applies to a restricted region which is defined as a mileage radius from the Acquired Therapy Practice. That is, an Employed Selling Shareholder is permitted to engage in competing Therapy Practices or activities outside the designated geography (after such Employed Selling Shareholder no longer is employed by NewCo) and a Selling Shareholder who is not employed by NewCo immediately is permitted to engage in the competing Therapy Practice or activities outside the designated geography.

The Partnership Agreement contains provisions for the redemption of the Seller Entity Interest, either at the option of the Company (the "Call Right") or at the option of the Seller Entity (the "Put Right") as follows:

1. Put Right
  - a. In the event that any Selling Shareholder's employment is terminated under certain circumstances prior to a specified number of years following the Closing Date, the Seller Entity thereafter may have an irrevocable right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest at the purchase price described in "3" below.
  - b. In the event that any Selling Shareholder is not employed by NewCo as of the specified date and the Company has not exercised its Call Right with respect to the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest, Seller Entity thereafter has the Put Right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest at the purchase price described in "3" below.
  - c. In the event that any Selling Shareholder's employment with NewCo is terminated for any reason on or after the specified date, the Seller Entity has the Put Right, and upon the exercise of the Put Right, the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest shall be redeemed by the Company at the purchase price described in "3" below.

2. Call Right

- a. If any Selling Shareholder's employment by NewCo is terminated prior to the specified date after the Closing Date, the Company thereafter has an irrevocable right to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest, in each case at the purchase price described in "3" below.
- b. In the event that any Selling Shareholder's employment with NewCo is terminated for any reason on or after the specified date, the Company has the Call Right, and upon the exercise of the Call Right, the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest shall be redeemed by the Company at the purchase price described in "3" below.
3. For the Put Right and the Call Right, the purchase price is derived from a formula based on a specified multiple of NewCo's trailing twelve months of earnings before interest, taxes, depreciation, amortization, and the Company's internal management fee, plus an Allocable Percentage of any undistributed earnings of NewCo (the "Redemption Amount"). NewCo's earnings are distributed monthly based on available cash within NewCo; therefore, the undistributed earnings amount is small, if any.
4. The Purchase Price for the initial equity interest purchased by the Company is also based on the same specified multiple of the trailing twelve-month earnings that is used in the Put Right and the Call Right noted above.
5. The Put Right and the Call Right do not have an expiration date.

The Put Right and the Call Right never apply to Selling Shareholders who do not become employed by NewCo, since the Company requires that such Selling Shareholders sell their entire ownership interest in the Seller Entity at the closing of the Acquisition.

An Employed Selling Shareholder's ownership of his or her equity interest in the Seller Entity predates the Acquisition and the Company's purchase of its partnership interest in NewCo. The Employment Agreement and the Non-Compete Agreement do not contain any provision to escrow or "claw back" the equity interest in the Seller Entity held by such Employed Selling Shareholder, nor the Seller Entity Interest in NewCo, in the event of a breach of the employment or non-compete terms. More specifically, even if the Employed Selling Shareholder is terminated for "cause" by NewCo, such Employed Selling Shareholder does not forfeit his or her right to his or her full equity interest in the Seller Entity and the Seller Entity does not forfeit its right to any portion of the Seller Entity Interest. The Company's only recourse against the Employed Selling Shareholder for breach of either the Employment Agreement or the Non-Compete Agreement is to seek damages and other legal remedies under such agreements. There are no conditions in any of the arrangements with an Employed Selling Shareholder that would result in a forfeiture of the equity interest held in the Seller Entity or of the Seller Entity Interest.

*Carrying Amounts of Redeemable Non-Controlling Interests*

For the years ended December 31, 2024, 2023 and 2022, the following table details the changes in the carrying amount (fair value) of the redeemable non-controlling interests.

	<b>For the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	(In thousands)		
Beginning balance	\$ 174,828	\$ 167,515	\$ 155,262
Net income allocated to redeemable non-controlling interest	10,044	4,426	6,902
Distributions to redeemable non-controlling interest partners	(10,579)	(11,533)	(10,102)
Changes in the fair value of redeemable non-controlling interest	4,964	13,565	3,862
Purchases of redeemable non-controlling interest	(8,122)	(12,073)	(16,061)
Acquired interest	100,336	11,007	26,746
Contributed capital	-	-	231
Sales of redeemable non-controlling interest	1,969	5,012	1,982
Changes in notes receivable related to redeemable non-controlling interest	(1,016)	(3,091)	(1,901)
Reduction due to separation agreement	(3,033)	-	-
Adjustments in notes receivables related to the sales of redeemable non-controlling interest	(366)	-	594
Ending balance	<u>\$ 269,025</u>	<u>\$ 174,828</u>	<u>\$ 167,515</u>

The following table categorizes the carrying amount (fair value) of the redeemable non-controlling interests.

	<b>As of the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	(In thousands)		
Contractual time period has lapsed but holder's employment has not terminated	\$ 74,668	\$ 96,876	\$ 75,688
Contractual time period has not lapsed and holder's employment has not terminated	194,357	77,952	91,827
Holder's employment has terminated and contractual time period has expired	-	-	-
Holder's employment has terminated and contractual time period has not expired	-	-	-
	<u>\$ 269,025</u>	<u>\$ 174,828</u>	<u>\$ 167,515</u>

**7. Assets Held for Sale**

In December 2024, the Company signed a non-binding Letter of Intent to sell an underperforming business unit within the physical therapy operations segment. The decision to divest was based on performance considerations and strategic realignment.

As of December 31, 2024, the business unit met the criteria for classification as held for sale under ASC 360. A \$2.4 million impairment charge was recorded to write down the disposal group's carrying value to fair value, less estimated costs to sell. The impairment was included in Impairment of assets held for sale on the consolidated statements of net income. The impairment charges primarily related to intangible assets. Assets held for sale were valued at \$0.6 million on December 31, 2024, and have been presented within other current assets in the accompanying balance sheets.

The transaction closed in February 2025 and the financial impact will be recognized accordingly.

**8. Goodwill**

The changes in the carrying amount of goodwill consisted of the following.

	<b>For the Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	(In thousands)	
Beginning balance	\$ 509,571	\$ 494,101
Acquisitions	164,529	28,083
Adjustments for purchase price allocation of businesses acquired in prior year	(6,551)	3,187
Impairment charges	-	(15,800)
Other	(397)	-
Ending balance	<u>\$ 667,152</u>	<u>\$ 509,571</u>

The Company recorded a charge for goodwill impairment of \$15.8 million during the year ended December 31, 2023 related to a unit in the IIP business.

**9. Intangible Assets, net**

The Company's intangible assets, net, consisted of the following.

	<b>As of the Year Ended</b>					
	<b>December 31, 2024</b>			<b>December 31, 2023</b>		
	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
	(In thousands)					
Customer and referral relationships	\$ 156,747	\$ (39,218)	\$ 117,529	\$ 93,658	\$ (30,414)	\$ 63,244
Tradenames	57,041	-	57,041	44,573	-	44,573
Non-compete agreements	13,077	(8,336)	4,741	9,459	(7,594)	1,865
	<u>\$ 226,865</u>	<u>\$ (47,554)</u>	<u>\$ 179,311</u>	<u>\$ 147,690</u>	<u>\$ (38,008)</u>	<u>\$ 109,682</u>

Tradenames, customer and referral relationships and non-compete agreements are related to the businesses acquired. The value assigned to tradenames has an indefinite life and is tested at least annually for impairment using the relief from royalty method in conjunction with the Company's annual goodwill impairment test. The value assigned to customer and referral relationships is being amortized over their respective estimated useful lives which range from 6 to 15 years. Non-compete agreements are amortized over the respective terms of the agreements which range from 5 to 6 years. The weighted average amortization period for customer and referral relationships was 12.9 years for the year ended December 31, 2024 and 12.7 years for the year ended December 31, 2023. The weighted average amortization period for non-compete agreements was 5.3 years for the years ended December 31, 2024, and 5.6 years for December 31, 2023. During the year ended December 31, 2024, the Company recognized charges of \$2.0 million related to the impairment of assets held for sale. During the year ended December 31, 2023, the Company recognized a charge of \$1.7 million related to the impairment of a tradename related to an IIP acquisition. These impairment losses are presented in the impairment of goodwill and other intangible assets and impairment of assets held for sale in the Consolidated Statements of Income.

The following table details the amount of amortization expense recorded for intangible assets for the periods presented.

	<b>For the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	(In thousands)		
Customer and referral relationships	\$ 8,804	\$ 6,678	\$ 5,974
Non-compete agreements	742	595	549
	<u>\$ 9,546</u>	<u>\$ 7,273</u>	<u>\$ 6,523</u>

The remaining balances of the customer and referral relationships and non-compete agreements are expected to be amortized as follows.

<b>For the Year Ending December 31,</b>	<b>Customer and Referral Relationships</b>	<b>Non-Compete Agreements</b>
	(In thousands)	
2025	\$ 11,878	\$ 1,133
2026	11,409	995
2027	11,246	869
2028	10,978	790
2029	10,599	584
Thereafter	\$ 61,419	\$ 370

## 10. Accrued Expenses

Accrued expenses consisted of the following for the periods presented.

	As of the Year Ended	
	December 31, 2024	December 31, 2023
	(In thousands)	
Salaries and related costs	\$ 34,886	\$ 25,641
Credit balances due to patients and payors	6,359	8,847
Group health insurance claims	2,462	2,301
Federal income taxes payable	4,544	1,006
Contingency payable	3,043	12,285
Other property taxes payable	371	355
Interest payable	402	235
Closure costs	2,828	231
Other	4,618	4,443
	\$ 59,513	\$ 55,344

## 11. Borrowings

Amounts outstanding under the Credit Agreement (as defined above) and notes payable consisted of the following.

	As of the Year Ended					
	December 31, 2024			December 31, 2023		
	Principal Amount	Unamortized Debt Issuance Cost	Net Debt	Principal Amount	Unamortized Debt Issuance Cost	Net Debt
	(In thousands)					
Term Facility	\$ 140,625	\$ (1,049)	\$ 139,576	\$ 144,375	\$ (1,468)	\$ 142,907
Revolving Facility	11,000	-	11,000	-	-	-
Other (1)	2,953	-	2,953	3,775	-	3,775
Total debt	154,578	(1,049)	153,529	148,150	(1,468)	146,682
Less: Current portion of long-term debt	11,422	(423)	10,999	8,111	(420)	7,691
Long-term debt, net of current portion	\$ 143,156	\$ (626)	\$ 142,530	\$ 140,039	\$ (1,048)	\$ 138,991

(1) The long-term portion is included as part of Other Long-Term Liabilities in the Consolidated Balance Sheet.

Effective December 5, 2013, the Company entered into an Amended and Restated Credit Agreement with a commitment for a \$125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017, and January 2021. On June 17, 2022, the Company entered into the Third Amended and Restated Credit Agreement (the "Credit Agreement") among Bank of America, N.A., as administrative agent ("Administrative Agent") and the lenders from time-to-time party thereto.

The Credit Agreement, which matures on June 17, 2027, provides for loans in an aggregate principal amount of \$325 million. Such loans were made available through the following facilities (collectively, the "Senior Credit Facilities"):

- 1) Revolving Facility: \$175 million, five-year, revolving credit facility ("Revolving Facility"), which includes a \$12 million sublimit for the issuance of standby letters of credit and a \$15 million sublimit for swingline loans (each, a "Swingline Loan").
- 2) Term Facility: \$150 million term loan facility (the "Term Facility"). The Term Facility amortizes in quarterly installments of: (a) 0.625% in each of the first two years, (b) 1.250% in the third and fourth year, and (c) 1.875% in the fifth year of the Credit Agreement. The remaining outstanding principal balance of all term loans is due on the maturity date.

The proceeds of the Revolving Facility shall be used by the Company for working capital and other general corporate purposes of the Company and its subsidiaries, including to fund future acquisitions and invest in growth opportunities. The proceeds of the Term Facility were used by the Company to refinance the indebtedness outstanding under the Amended Credit Agreement, to pay fees and expenses incurred in connection with the transactions involving the loan facilities, for working capital and other general corporate purposes of the Company and its subsidiaries.

The Company is permitted to increase the Revolving Facility and/or add one or more tranches of term loans in an aggregate amount not to exceed the sum of (i) \$100 million plus (ii) an unlimited additional amount, provided that (in the case of clause (ii)), after giving effect to such increases, the pro forma Consolidated Leverage Ratio (as defined in the Credit Agreement) would not exceed 2.0:1.0, and the aggregate amount of all incremental increases under the Revolving Facility does not exceed \$50,000,000.

The interest rates per annum applicable to the Senior Credit Facilities (other than in respect of Swingline Loans) will be Term SOFR (as defined in the Credit Agreement) plus an applicable margin or, at the option of the Company, an alternate base rate plus an applicable margin. Each Swingline Loan shall bear interest at the base rate plus the applicable margin. The applicable margin for Term SOFR borrowings ranges from 1.50% to 2.25%, and the applicable margin for alternate base rate borrowings ranges from 0.50% to 1.25%, in each case, based on the Consolidated Leverage Ratio of the Company and its subsidiaries. Interest is payable at the end of the selected interest period but no less frequently than quarterly and on the date of maturity.

The Company is also required to pay to the Administrative Agent, for the account of each lender under the Revolving Facility, a commitment fee equal to the actual daily excess of each lender's commitment over its outstanding credit exposure under the Revolving Facility ("unused fee"). Such unused fee will range between 0.25% and 0.35% per annum and is also based on the Consolidated Leverage Ratio of the Company and its subsidiaries. The Company may prepay and/or repay the revolving loans and the term loans, and/or terminate the revolving loan commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions.

The Credit Agreement contains customary covenants limiting, among other things, the incurrence of additional indebtedness, the creation of liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other payments in respect of equity interests, acquisitions, investments, loans and guarantees, subject, in each case, to customary exceptions, thresholds and baskets. The Credit Agreement includes certain financial covenants which include the Consolidated Fixed Charge Coverage Ratio, and the Consolidated Leverage Ratio, as defined in the Credit Agreement. The Credit Agreement also contains customary events of default.

The Company's obligations under the Credit Agreement are guaranteed by its wholly-owned material domestic subsidiaries (each, a "Guarantor"), and the obligations of the Company and any Guarantors are secured by a perfected first priority security interest in substantially all of the existing and future personal property of the Company and each Guarantor, subject to certain exceptions.

As of December 31, 2024, \$140.6 million was outstanding on the Term Facility while \$11.0 million was outstanding under the Revolving Facility resulting in \$164.0 million of credit availability. As of December 31, 2024, the Company was in compliance with all of the covenants contained in the Credit Agreement.

The Company generally enters into various notes payable as a means of financing a portion of its acquisitions and purchasing of non-controlling interests. In conjunction with these transactions in 2024 and 2023, the Company entered into notes payable in the aggregate amount of \$2.9 million of which an aggregate principal payment of \$2.0 million will be paid in 2025, \$0.9 million is due in 2026. Interest accrues in the range of 3.25% to 8.5% per annum and is payable with each principal installment.

## **12. Derivative Instruments**

The Company is exposed to certain market risks during the ordinary course of business due to adverse changes in interest rates. The exposure to interest rate risk primarily results from the Company's variable-rate borrowing. The Company may elect to use derivative financial instruments to manage risks from fluctuations in interest rates. The Company does not purchase or hold derivatives for trading or speculative purposes. Fluctuations in interest rates can be volatile and the Company's risk management activities do not eliminate these risks.

### **Interest Rate Swap**

In May 2022, the Company entered into an interest rate swap agreement, effective on June 30, 2022, with Bank of America, N.A. The swap has a \$150 million notional value adjusted concurrently with scheduled principal payments made on the term loan. The swap has a maturity date of June 30, 2027. Beginning in July 2022, the Company receives a 1-month SOFR, and pays a fixed rate of interest of 2.815% on 1-month SOFR on a quarterly basis. The total interest rate in any period will also include an applicable margin based on the Company's consolidated leverage ratio.



In connection with the swap, no cash was exchanged between the Company and the counterparty.

The Company designated its interest rate swap as a cash flow hedge and structured it to be highly effective. Consequently, unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulated other comprehensive income (loss), net of tax.

Savings from the interest rate swap arrangement totaled \$3.4 million for the year ended December 31, 2024, and less than \$3.3 million for the year ended December 31, 2023. These savings reduce the amount of interest expense, debt and other in the accompanying consolidated statements of income.

The impacts of the Company's derivative instruments on the accompanying Consolidated Statements of Comprehensive Income are presented in the table below.

	Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Net income	\$ 45,600	\$ 37,220	\$ 43,407
Other comprehensive income			
Unrealized (loss) gain on cash flow hedge	23	(1,642)	5,378
Tax effect at statutory rate (federal and state)	(6)	420	(1,374)
Comprehensive income	\$ 45,617	\$ 35,998	\$ 47,411
Comprehensive income attributable to non-controlling interest	(14,176)	(8,981)	(11,249)
Comprehensive income attributable to USPH shareholders	\$ 31,441	\$ 27,017	\$ 36,162

The valuations of the Company's interest rate derivatives are measured as the present value of all expected future cash flows based on SOFR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty, which is a Level 2 fair value measurement.

The carrying and fair value of the Company's interest rate derivatives (included in other current assets and other assets) were as follows:

	As of the Year Ended	
	December 31, 2024	December 31, 2023
	(In thousands)	
Other current assets	\$ 1,752	\$ 2,663
Other assets	2,006	1,073
	\$ 3,758	\$ 3,736

### 13. Leases

The Company has operating leases for its corporate offices and operating facilities. The Company determines if an arrangement is a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent net present value of the Company's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. The Company's operating lease terms are generally five years or less. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As most of the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the right-of-use assets or operating lease liabilities. These are expensed as incurred and recorded as variable lease expense.

The components of lease expense were as follows.

	For the Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
	(In thousands)		
Operating lease cost	\$ 41,751	\$ 38,559	\$ 35,154
Short-term lease cost	1,163	1,353	1,049
Variable lease cost	9,739	9,438	6,779
Sublease income	(481)	(526)	(492)
Total lease cost	\$ 52,172	\$ 48,824	\$ 42,490

Lease costs are reflected in the consolidated statements of net income in the line item — rent, supplies, contract labor and other.

The supplemental cash flow information related to leases was as follows.

	For the Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
	(In thousands)		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 42,934	\$ 39,813	\$ 36,136
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 70,729	\$ 36,264	\$ 40,502

The aggregate future lease payments for operating leases as of December 31, 2024, were as follows.

Fiscal Year	Amount (In thousands)
2025	\$ 45,290
2026	37,572
2027	28,363
2028	18,999
2029 and thereafter	27,424
Total lease payments	\$ 157,648
Less: imputed interest	15,945
Total operating lease liabilities	\$ 141,703

Average lease terms and discount rates were as follows:

	As of the Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Weighted-average remaining lease term	4.5 years	3.9 years	4.1 Years
Weighted-average discount rate	4.7%	4.0%	2.9%

**14. Income Taxes**

Significant components of deferred tax assets and liabilities included in the consolidated balance sheets as of the periods below were as follows.

	<b>As of the Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	(In thousands)	
Deferred tax assets:		
Compensation	\$ 2,370	\$ 1,680
Provision for credit losses	747	574
Lease obligations - including closed clinics	36,205	28,592
Deferred tax assets	\$ 39,322	\$ 30,846
Deferred tax liabilities:		
Depreciation and amortization	\$ (32,392)	\$ (27,290)
Operating lease right-of-use assets	(34,221)	(26,427)
Gain on cash flow hedge	(960)	(955)
Change in revaluation of put-right liability	(638)	(586)
Other	(576)	(403)
Deferred tax liabilities	(68,787)	(55,661)
Net deferred tax liabilities	\$ (29,465)	\$ (24,815)

The deferred tax assets and liabilities related to purchased interests not yet finalized may result in an adjustment.

As of December 31, 2024, the Company has a federal tax payable of \$4.5 million, which is included in accrued expenses in the accompanying balance sheet, and state tax receivables of \$0.9 million, which is included in other current assets in the accompanying balance sheet.

The differences between the federal tax rate and the Company's effective tax rate for the years ended December 31, were as follows for the periods presented:

	<b>For the Year Ended</b>					
	<b>December 31, 2024</b>		<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	(In thousands)					
U.S. tax at statutory rate	\$ 9,667	21.0%	\$ 8,483	21.0%	\$ 9,307	21.0%
State income taxes, net of federal benefit	2,945	6.4%	2,135	5.3%	2,079	4.7%
Shortfall (excess) equity compensation deduction	75	0.2%	123	0.3%	149	0.3%
Non-deductible expenses	907	2.0%	710	1.8%	629	1.4%
Return to provision adjustments	1,015	2.1%	705	1.7%	-	0.0%
	<u>\$ 14,609</u>	<u>31.7%</u>	<u>\$ 12,156</u>	<u>30.1%</u>	<u>\$ 12,164</u>	<u>27.4%</u>

Significant components of the provision for income taxes were as follows for the periods presented.

	<b>For the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	(In thousands)		
Current:			
Federal	\$ 5,805	\$ 6,996	\$ (770)
State	3,930	512	518
Total current	<u>9,735</u>	<u>7,508</u>	<u>(252)</u>
Deferred:			
Federal	4,006	3,819	9,933
State	868	829	2,483
Total deferred	<u>4,874</u>	<u>4,648</u>	<u>12,416</u>
Total income tax provision	<u>\$ 14,609</u>	<u>\$ 12,156</u>	<u>\$ 12,164</u>

For 2024, 2023 and 2022, the Company performed a detailed reconciliation of its federal and state taxes payable and receivable accounts along with its federal and state deferred tax asset and liability accounts. The Company considers this reconciliation process to be an annual control.

The Company is required to establish a valuation allowance for deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income in the periods which the deferred tax assets are deductible, management believes that a valuation allowance is not required, as it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The Company's U.S. federal returns remain open to examination for 2021 through 2023 and U.S. state jurisdictions are open for periods ranging from 2020 through 2023.

The Company does not believe that it has any significant uncertain tax positions at December 31, 2024 and December 31, 2023, nor is this expected to change within the next twelve months due to the settlement and expiration of statutes of limitation.

The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits nor was any interest expense recognized during the years ended December 31, 2024, 2023 and 2022.

## **15. Segment Information**

The Company's reportable segments include the physical therapy operations segment and the IIP segment. Also included in the physical therapy operations segment are revenues from management contract services and other services which include services the Company provides on-site, such as athletic trainers for schools.

### ***Physical Therapy Operations***

The physical therapy operations segment primarily operates through subsidiary clinic partnerships ("Clinic Partnerships"), in which the Company generally owns a 1% general partnership interest in all the Clinic Partnerships. The Company's limited partnership interests generally range from 65% to 75% (the range is 10% - 99%) in the Clinic Partnerships. The managing therapist of each clinic owns, directly or indirectly, the remaining limited partnership interest in most of the clinics (hereinafter referred to as "Clinic Partnerships"). Some of the Clinic Partnerships serve as management services organizations which manage and provide staffing and a variety of administrative services to physical therapy provider entities in which the Company does not have an ownership interest. These Clinic Partnerships similarly are owned collectively by the Company and one or more physical therapists who are involved in the management of the operations. To a lesser extent, the Company operates some clinics, through wholly-owned subsidiaries (hereinafter referred to as "Wholly-Owned Facilities").

The Company continues to seek to attract for employment physical therapists who have established relationships with physicians and other referral sources, by offering these therapists a competitive salary and incentives based on the profitability of the clinic that they manage. For multi-site clinic practices in which a controlling interest is acquired by the Company, the prior owners typically continue on as employees to manage the clinic operations, retain a non-controlling ownership interest in the clinics and receive a competitive salary for managing the clinic operations. In addition, the Company has developed satellite clinic facilities as part of existing Clinic Partnerships and Wholly-Owned Facilities, with the result that a substantial number of Clinic Partnerships and Wholly-Owned Facilities operate more than one clinic location.

*Clinic Partnerships*

For non-acquired Clinic Partnerships, the earnings and liabilities attributable to the non-controlling interests, typically owned by the managing therapist, directly or indirectly, are recorded within the balance sheets and income statements as *non-controlling interest—permanent equity*. For acquired Clinic Partnerships with redeemable non-controlling interests, the earnings attributable to the redeemable non-controlling interests are recorded within the consolidated balance sheets and income statements as *redeemable non-controlling interest—temporary equity*.

*Wholly-Owned Facilities*

For Wholly-Owned Facilities with profit sharing arrangements, an appropriate accrual is recorded for the amount of profit sharing due the clinic partners/directors. The amount is expensed as compensation and included in clinic operating costs—salaries and related costs. The respective liability is included in current liabilities—*accrued expenses* on the consolidated balance sheets.

***Industrial Injury Prevention Services***

Services provided in the IIP segment include onsite injury prevention and rehabilitation, performance optimization, post offer employment testing, functional capacity evaluations, and ergonomic assessments. The majority of these services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. The Company performs these services through Industrial Sports Medicine Professionals, consisting primarily of specialized certified athletic trainers.

**Segment Financials**

The Company, including its chief operating decision maker, the Chief Executive Officer, uses gross profit in its budget-to-actual, forecasting, and other analytical processes to assess segment performance and allocate resources. The Company has provided additional information regarding its reportable segments which contributes to the understanding of the Company and provides useful information.

	<b>For the Year Ended</b>		
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	(In thousands)		
<b>Net revenue:</b>			
Physical therapy operations	\$ 574,433	\$ 526,548	\$ 476,092
Industrial injury prevention services	96,912	78,254	77,052
<b>Total Company</b>	<b>\$ 671,345</b>	<b>\$ 604,802</b>	<b>\$ 553,144</b>
<b>Operating Costs:</b>			
<b>Salaries and related costs:</b>			
Physical therapy operations	\$ 337,466	\$ 302,765	\$ 272,360
Industrial injury prevention services	61,928	50,625	46,831
<b>Total salaries and related costs</b>	<b>\$ 399,394</b>	<b>\$ 353,390</b>	<b>\$ 319,191</b>
<b>Rent supplies, contract labor and other:</b>			
Physical therapy operations	\$ 105,019	\$ 97,873	\$ 88,523
Industrial injury prevention services	13,891	10,723	13,847
<b>Total rent, supplies, contract labor and other</b>	<b>\$ 118,910</b>	<b>\$ 108,596</b>	<b>\$ 102,370</b>
<b>Depreciation and amortization:</b>			
Physical therapy operations	\$ 16,741	\$ 14,542	\$ 13,563
Industrial injury prevention services	1,112	418	376
<b>Total depreciation and amortization</b>	<b>\$ 17,853</b>	<b>\$ 14,960</b>	<b>\$ 13,939</b>
<b>Provision for credit losses:</b>			
Physical therapy operations	\$ 6,904	\$ 6,129	\$ 5,517
Industrial injury prevention services	8	43	31
<b>Total provision for credit losses</b>	<b>\$ 6,912</b>	<b>\$ 6,172</b>	<b>\$ 5,548</b>
<b>Clinic closure costs:</b>			
Physical therapy operations	\$ 4,355	\$ 175	\$ 72
Industrial injury prevention services	-	-	-
<b>Total clinic closure costs</b>	<b>\$ 4,355</b>	<b>\$ 175</b>	<b>\$ 72</b>
<b>Total Company</b>	<b>\$ 547,424</b>	<b>\$ 483,293</b>	<b>\$ 441,120</b>
<b>Gross profit:</b>			
Physical therapy operations	\$ 103,948	\$ 105,064	\$ 96,057
Industrial injury prevention services	19,973	16,445	15,967
<b>Total Company</b>	<b>\$ 123,921</b>	<b>\$ 121,509</b>	<b>\$ 112,024</b>
<b>Impairment of goodwill and other intangible assets</b>			
Industrial injury prevention services	\$ -	\$ 17,495	\$ 9,112
<b>Total impairment of goodwill and other intangible assets</b>	<b>\$ -</b>	<b>\$ 17,495</b>	<b>\$ 9,112</b>
<b>Impairment of assets held for sale</b>			
Physical therapy operations	\$ 2,418	\$ -	\$ -
<b>Total impairment of assets held for sale</b>	<b>\$ 2,418</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Unallocated amounts</b>			
Corporate office costs	\$ 58,290	\$ 51,953	\$ 46,111
Interest expense, debt and other	8,015	9,303	5,779
Interest income from investments	(3,941)	(3,774)	-
Change in fair value of contingent earn-out consideration	219	1,550	(2,520)
Change in revaluation of put-right liability	82	(2,582)	5
Equity in earnings of unconsolidated affiliate	(1,014)	(955)	(1,175)
Relief Funds	-	(467)	-
Other	(357)	(390)	(859)
<b>Total unallocated amounts</b>	<b>\$ 61,294</b>	<b>\$ 54,638</b>	<b>\$ 47,341</b>
<b>Income before taxes</b>	<b>\$ 60,209</b>	<b>\$ 49,376</b>	<b>\$ 55,571</b>
<b>Assets:</b>			
<b>Goodwill:</b>			
Physical therapy operations	\$ 595,519	\$ 437,413	\$ 408,705
Industrial injury prevention services	71,633	72,158	85,396
<b>Total goodwill</b>	<b>\$ 667,152</b>	<b>\$ 509,571</b>	<b>\$ 494,101</b>
<b>All other assets:</b>			
Physical therapy operations	452,905	398,272	263,131
Industrial injury prevention services	47,410	89,395	100,922
<b>Total all other assets</b>	<b>500,315</b>	<b>487,667</b>	<b>364,053</b>
<b>Total Assets</b>	<b>\$ 1,167,467</b>	<b>\$ 997,238</b>	<b>\$ 858,154</b>

**16. Investment in Unconsolidated Affiliate**

Through one of its subsidiaries, the Company has a 49% joint venture interest in a company which provides physical therapy services for patients at hospitals. The Company is deemed to not have a controlling interest in the company, and therefore the Company's investment is accounted for using the equity method of accounting. The investment balance of this joint venture as of December 31, 2024, is \$12.2 million and the earnings amounted to approximately \$1.0 million for the year ended December 31, 2024. The investment balance of this joint venture as of December 31, 2023, was \$12.3 million and the earnings amounted to approximately \$1.0 million for the year ended December 31, 2023.

**17. Equity Based Plans****U.S. Physical Therapy Stock Incentive Plans***Amended and Restated 1999 Employee Stock Option Plan*

The Amended and Restated 1999 Employee Stock Option Plan (the "Amended 1999 Plan") permits the Company to grant to non-employee directors and employees of the Company up to 600,000 non-qualified options to purchase shares of common stock and restricted stock (subject to proportionate adjustments in the event of stock dividends, splits, and similar corporate transactions). The exercise prices of options granted under the Amended 1999 Plan are determined by the Compensation Committee. The period within which each option will be exercisable is determined by the Compensation Committee.

*Amended and Restated 2003 Stock Option Plan*

The Amended and Restated 2003 Stock Option Plan (the "Amended 2003 Plan") permits the Company to grant to key employees and outside directors of the Company incentive and non-qualified options and shares of restricted stock covering up to 2,600,000 shares of common stock (subject to proportionate adjustments in the event of stock dividends, splits, and similar corporate transactions). As of December 31, 2024, there were 0.4 million shares remaining that can be subject to new awards under the Amended 2003 Plan.

Stock-based compensation expense related to the U.S. Physical Therapy Stock Incentive Plans was approximately \$7.8 million, \$7.2 million, and \$7.3 million for the years ended December 31, 2024, 2023 and 2022 respectively. As of December 31, 2024, the remaining \$10.4 million compensation expense will be recognized over a weighted average period of 2.38 years.

**Restricted Stock Awards**

During 2024, 2023 and 2022, the Company granted the following shares of restricted stock to directors, officers, and employees pursuant to its equity plans as follows:

<b>Year Granted</b>	<b>Number of Shares</b>	<b>Weighted Average Fair Value Per Share</b>
2024	90,810	\$ 101.30
2023	73,384	\$ 102.79
2022	95,316	\$ 100.08

During 2024, 2023 and 2022, the following shares were cancelled due to employee terminations prior to restrictions lapsing:

<b>Year Cancelled</b>	<b>Number of Shares</b>	<b>Weighted Average Fair Value Per Share</b>
2024	2,339	\$ 103.81
2023	4,086	\$ 103.99
2022	5,180	\$ 109.42

Generally, restrictions on the stock granted to employees lapse in equal annual installments on the following four anniversaries of the date of grant. For those shares granted to directors, the restrictions will lapse in equal quarterly installments during the first year after the date of grant. For those granted to officers, the restriction will lapse in equal quarterly installments during the four years following the date of grant.

There were 140,276 and 124,638 shares outstanding as of December 31, 2024, and December 31, 2023, respectively, for which restrictions had not lapsed. The restrictions will lapse from 2025 through 2028.

### **Metro Equity Incentive Plan**

The MSO Metro LLC 2024 Incentive Plan (“Metro Plan”) was approved on October 31, 2024. The Metro Plan permits MSO Metro to grant to employee participants up to 5,000 Units of MSO Metro upon the attainment of certain EBITDA thresholds, subject to continuous employment. Upon vesting, the Units will contain both a call right and a put right at a fixed price based on the level of EBITDA that is reached. As the Units are subject to repurchase upon issuance at a fixed purchase price, the share-based compensation is classified as a liability.

The following table summarizes the Metro Plan activity during the year ended December 31, 2024:

	<u>Number of Units</u>	<u>Grant-Date Fair Value per Unit</u>
Unvested as of December 31, 2023	-	-
Granted	4,650	\$ 1,530
Vested	-	-
Unvested as of December 31, 2024	4,650	\$ 1,530

The Company recognized \$0.2 million of compensation expense related to the Metro Plan in 2024. Unrecognized compensation expense related to the Metro Plan was \$5.7 million as of December 31, 2024, to be amortized over a remaining period of approximately 5.0 years.

## **18. Preferred and Common Stock**

### ***Preferred Stock***

The Board is empowered, without approval of the shareholders, to cause shares of preferred stock to be issued in one or more series and to establish the number of shares to be included in each such series and the rights, powers, preferences, and limitations of each series. There are no provisions in the Company’s Articles of Incorporation specifying the vote required by the holders of preferred stock to take action. All such provisions would be set out in the designation of any series of preferred stock established by the Board. The bylaws of the Company specify that, when a quorum is present at any meeting, the vote of the holders of at least a majority of the outstanding shares entitled to vote who are present, in person or by proxy, shall decide any question brought before the meeting, unless a different vote is required by law or the Company’s Articles of Incorporation.

Because the Board has the power to establish the preferences and rights of each series, it may afford the holders of any series of preferred stock, preferences, powers, and rights, voting or otherwise, senior to the right of holders of common stock. The issuance of the preferred stock could have the effect of delaying or preventing a change in control of the Company.

### ***Common Stock***

From September 2001 through December 31, 2008, the Board authorized the Company to purchase, in the open market or in privately negotiated transactions, up to 2,250,000 shares of the Company’s common stock. In March 2009, the Board authorized the repurchase of up to 10% or approximately 1,200,000 shares of its common stock (“March 2009 Authorization”). Under the March 2009 Authorization, the Company has purchased a total of 859,499 shares. The Company is required to retire shares purchased under the March 2009 Authorization.

In November 2023, the Board terminated the March 2009 Authorization such that any such proposed repurchase of our common stock would be considered and determined by the Board at such time. The Company did not purchase any shares of its common stock during 2024, 2023 or 2022.



In May 2023, the Company completed a secondary offering of 1,916,667 shares of its common stock at an offering price of \$90.00 per share. Upon completion of the offering, the Company received net proceeds of approximately \$163.6 million, after deducting an underwriting discount of \$8.6 million and recognizing related fees and expenses of \$0.2 million. A portion of the net proceeds was used to repay the \$35.0 million then outstanding under the Company's credit facility while the remainder was used primarily for additional acquisitions.

#### **19. Defined Contribution Plan**

The Company has several 401(k) profit sharing plans covering all employees with three months of service. For certain plans, the Company makes matching contributions. The Company may also make discretionary contributions of up to 50% of employee contributions. The Company did not make any discretionary contributions for the years ended December 31, 2024, 2023 and 2022. The Company matching contributions totaled \$2.6 million, \$2.2 million and \$2.0 million, respectively, for the years ended December 31, 2024, 2023 and 2022.

#### **20. Contingencies**

The Company is a party to various legal actions, proceedings, and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of our business.

#### **21. Subsequent Events**

On February 28, 2025, the Company acquired a 65% interest in a physical therapy practice with three clinic locations. The prior owners retained a 35% ownership interest.

On February 25, 2025, the Company's Board of Directors raised the Company's quarterly dividend rate from \$0.44 per share to \$0.45 per share. The dividend will be payable on April 11, 2025, to shareholders of record on March 14, 2025.

On February 3, 2025, the Company completed the sales process that began in 2024 for a business unit within the physical therapy operations segment. In connection with the sales process, the assets and liabilities of the clinics sold were revalued as of December 31, 2024, and an impairment of approximately \$2.4 million was included in the accompanying Consolidated Statements of Net Income in Item 8. The sale closed at a price of \$0.7 million.

FINANCIAL STATEMENT SCHEDULE\*  
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS  
U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
(In Thousands)

	<u>Balance at</u> <u>Beginning of Period</u>	<u>Additions Charged</u> <u>to Costs and Expenses</u>	<u>Additions Charged</u> <u>to Other Accounts</u>	<u>Deductions</u>	<u>Balance at</u> <u>End of Period</u>
YEAR ENDED DECEMBER 31, 2024:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses <sup>(1)</sup>	\$ 2,736	\$ 6,912	-	\$ 6,142 <sup>(2)</sup>	\$ 3,506
YEAR ENDED DECEMBER 31, 2023:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses <sup>(1)</sup>	\$ 2,829	\$ 6,172	-	\$ 6,265 <sup>(2)</sup>	\$ 2,736
YEAR ENDED DECEMBER 31, 2022:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses	\$ 2,768	\$ 5,548	-	\$ 5,487 <sup>(2)</sup>	\$ 2,829

(1) Related to patient accounts receivable and accounts receivable-other.

(2) Uncollectible accounts written off, net of recoveries.

\* All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

**ITEM 9. CHANGES IN DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of the end of the fiscal period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that the information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. U.S. Physical Therapy, Inc. and subsidiaries' (the "Company") internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk. Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2024.

The Company's internal control over financial reporting has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report included on page 51.

**Changes in Internal Control over Financial Reporting**

In October 2024, we entered into an Equity Interest Purchase Agreement with MSO Metro, LLC and become the managing member. As part of our ongoing integration activities, we are currently in the process of implementing internal controls and procedures at the new entity.

Except for the integration of the new entity noted above, there were no changes in our internal control over financial reporting during the quarter ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

Documents filed as a part of this report:

1. **Financial Statements**

Reference is made to the Index to Financial Statements and Related Information under Item 8 in Part II hereof, where these documents are listed.

2. **Financial Statement Schedules**

See page 85 for Schedule II — Valuation and Qualifying Accounts. All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

3. **Exhibits**

The exhibits listed in List of Exhibits on the next page are filed or incorporated by reference as part of this report.

**EXHIBIT INDEX**  
**LIST OF EXHIBITS**

<b>Number</b>	<b>Description</b>
<a href="#">1.1</a>	Underwriting Agreement, dated May 24, 2023, by and between U.S. Physical Therapy, and BofA Securities, Inc. and J.P. Morgan Securities LLC., as representatives of the several underwriters named therein. [incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on May 25, 2023.]
<a href="#">3.1</a>	Articles of Incorporation of the Company [filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2001 and incorporated herein by reference].
<a href="#">3.2</a>	Amendment to the Articles of Incorporation of the Company [filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2001 and incorporated herein by reference].
3.3	Bylaws of the Company, as amended [filed as an exhibit to the Company's Form 10-KSB for the year ended December 31, 1993 and incorporated herein by reference—Commission File Number—1-11151].
<a href="#">4.1</a>	Description of Company Securities [incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K filed with the SEC on February 28, 2020.]
<a href="#">10.1+</a>	1999 Employee Stock Option Plan (as amended and restated May 20, 2008) [incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 17, 2008].
<a href="#">10.2+</a>	U.S. Physical Therapy, Inc. 2003 Stock Incentive Plan, (as amended and restated effective March 26, 2016) [incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 7, 2016.]
<a href="#">10.3+</a>	First Amendment to U.S. Physical Therapy, Inc. 2003 Stock Incentive Plan, (as amended and restated effective March 26, 2016) effective on March 1, 2022 [incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 4, 2022.]
<a href="#">10.4+</a>	Form of Restricted Stock Agreement [incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on March 16, 2016].
<a href="#">10.7+</a>	Third Amended and Restated Employment Agreement by and between the Company and Christopher J. Reading dated effective May 21, 2019 [incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 22, 2019]

<b>Number</b>	<b>Description</b>
<a href="#">10.8+</a>	Amended & Restated Employment Agreement commencing by and between the Company and Graham Reeve dated effective May 21, 2019 [incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on May 22, 2019]
<a href="#">10.9+</a>	Form of Restricted Stock Agreement [incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on May 22, 2019]
<a href="#">10.11+</a>	Amendment to Employment Agreement entered into as of March 26, 2020 by and between the Company and Christopher Reading [incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on March 26, 2020].
<a href="#">10.12+</a>	Amendment to Employment Agreement entered into as of March 26, 2020 by and between the Company and Graham Reeve [incorporated by reference to Exhibit 10.4 to the Company Current Report on Form 8-K filed with the SEC on March 26, 2020].
<a href="#">10.13+</a>	Employment Agreement by and between the Company and Eric Williams entered into on December 3, 2020 and commencing as of July 1, 2021 [filed by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on December 7, 2020.]
<a href="#">10.16</a>	Third Amended and Restated Credit Agreement dated as of June 17, 2022 among the Company, as the borrower, and Bank of America, N.A., as Administrative Agent, Regions Capital Markets as Syndication Agent, BofA Securities Inc. and Regions Capital Markets as Joint Lead Arrangers, BofA Securities Inc., as Sole Bookrunner and the lenders named therein. [incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 10-Q filed with the SEC on June 21, 2022]
<a href="#">10.17+</a>	Employment Agreement by and between the Company and Rick Binstein entered into on March 23, 2022 [incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on March 23, 2022]
<a href="#">10.18+</a>	U. S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2022, effective March 14, 2022 [incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 18, 2022]
<a href="#">10.19+</a>	U. S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2022, effective March 14, 2022 [incorporated by reference to Exhibit 99.2 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 18, 2022]
<a href="#">10.20+</a>	U. S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2022, effective March 14, 2022 [incorporated by reference to Exhibit 99.3 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 18, 2022]

<a href="#">10.21+</a>	U. S. Physical Therapy, Inc. Discretionary Cash/RSA Bonus Plan for Senior Management for 2022, effective March 14, 2022 [incorporated by reference to Exhibit 99.4 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 18, 2022]
<a href="#">10.22+</a>	U. S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2023, effective March 2, 2023 [incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 8, 2023]
<a href="#">10.23+</a>	U. S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2023, effective March 2, 2023 [incorporated by reference to Exhibit 99.2 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 8, 2023]
<a href="#">10.24+</a>	U. S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2023, effective March 2, 2023 [incorporated by reference to Exhibit 99.3 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 8, 2023]
<a href="#">10.25+</a>	U. S. Physical Therapy, Inc. Discretionary Cash/RSA Bonus Plan for Senior Management for 2023, effective March 2, 2023 [incorporated by reference to Exhibit 99.4 of the Current Report on Form 8-K filed by U.S. Physical Therapy, Inc. on March 8, 2023]
<a href="#">10.26+</a>	Employment Agreement entered into as of November 9, 2020 by and between U.S. Physical Therapy and Carey Hendrickson [incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on September 23, 2020.]
<a href="#">10.27+</a>	U. S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
<a href="#">10.28+</a>	U. S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.2 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
<a href="#">10.29+</a>	U. S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.3 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
<a href="#">10.30+</a>	U. S. Physical Therapy, Inc. Discretionary Cash/RSA Bonus Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.4 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
<a href="#">10.31+</a>	U. S. Physical Therapy, Inc. First Amendment to Third Amended and Restated Employment Agreement, entered into as of May 27, 2024, by and between the Company and Christopher Reading [incorporated by reference to Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on May 31, 2024].

<a href="#">10.32+</a>	U. S. Physical Therapy, Inc. First Amendment to Employment Agreement, entered into as of May 27, 2024, by and between the Company and Eric Williams [incorporated by reference to Exhibit 99.2 to the Company Current Report on Form 8-K filed with the SEC on May 31, 2024].
<a href="#">10.33+</a>	U. S. Physical Therapy, Inc. First Amendment to Amended and Restated Employment Agreement, entered into as of May 27, 2024, by and between the Company and Graham Reeve [incorporated by reference to Exhibit 99.3 to the Company Current Report on Form 8-K filed with the SEC on May 31, 2024].
<a href="#">10.34+</a>	U. S. Physical Therapy, Inc. First Amendment to Employment Agreement, entered as of May 27, 2024, by and between the Company and Carey Hendrickson [incorporated by reference to Exhibit 99.4 to the Company Current Report on Form 8-K filed with the SEC on May 31, 2024].
<a href="#">10.35+</a>	U. S. Physical Therapy, Inc. First Amendment to Amended and Restated Employment Agreement, entered as of May 27, 2024, by and between the Company and Richard Binstein [incorporated by reference to Exhibit 99.5 to the Company Current Report on Form 8-K filed with the SEC on May 31, 2024].
<a href="#">10.36*</a>	Equity Interest Purchase Agreement dated as of October 7, 2024 among U.S. Physical Therapy, Ltd., MSO Metro, LLC, the member of MSO Metro, LLC and Michael G. Mayrsohn as Sellers' Representative.
<a href="#">10.37</a>	Second Amendment to the Credit Agreement dated as of September 27, 2024 among the Company, as the borrower, and Bank of America, N.A., as Administrative Agent, Regions Capital Markets as Syndication Agent, BofA Securities Inc. and Regions Capital Markets as Joint Load Arrangers, BofA Securities Inc., as Sole Bookrunner and the lenders named therein [incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by U.S. Physical Therapy, Inc. on November 8, 2024].
<a href="#">10.38+*</a>	Form of Amendment to the Restricted Stock Agreements.
<a href="#">10.39+*</a>	Form of Restricted Stock Agreement.



<b>Number</b>	<b>Description</b>
<a href="#">21.1*</a>	Subsidiaries of the Registrant
<a href="#">23.1*</a>	Consent of Independent Registered Public Accounting Firm—Grant Thornton LLP
<a href="#">31.1*</a>	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
<a href="#">31.2*</a>	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
<a href="#">32.1*</a>	Certification of Periodic Report of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">97.1</a>	U.S. Physical Therapy Compensation Clawback Policy (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with SEC on February 29, 2024)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith

+ Management contract or compensatory plan or arrangement.

**FINANCIAL STATEMENT SCHEDULE\***  
**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**  
**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES**  
**(In Thousands)**

	<u>Balance at</u> <u>Beginning of Period</u>	<u>Additions Charged</u> <u>to Costs and Expenses</u>	<u>Additions Charged</u> <u>to Other Accounts</u>	<u>Deductions</u>	<u>Balance at</u> <u>End of Period</u>
YEAR ENDED DECEMBER 31, 2024:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses (1)	\$ 2,736	\$ 6,912	-	\$ 6,142	(2) \$ 3,506
YEAR ENDED DECEMBER 31, 2023:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses (1)	\$ 2,829	\$ 6,172	-	\$ 6,265	(2) \$ 2,736
YEAR ENDED DECEMBER 31, 2022:					
Reserves and allowances deducted from asset accounts:					
Allowance for credit losses	\$ 2,768	\$ 5,548	-	\$ 5,487	(2) \$ 2,829

(1) Related to patient accounts receivable and accounts receivable-other.

(2) Uncollectible accounts written off, net of recoveries.

\* All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

**ITEM 16. FORM 10-K SUMMARY**

None.



The Company's authorized capital stock consists of 500,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"), and 20,000,000 Common Stock.

The following is a summary of the material provisions of the Company's Certificate of Incorporation, as amended (the "Certificate of Incorporation") and Amended and Restated By-laws (the "By-laws"), insofar as they relate to the material terms of the Common Stock. This description summarizes the material terms and provisions of the Common Stock, but it is not complete. This summary is qualified in its entirety by reference to the Certificate of Incorporation and By-laws, which are incorporated herein by reference.

Each holder of the Common Stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights. In the event of a liquidation, dissolution or winding up of the Company, holders of the Common Stock would be entitled to share in the Company's assets remaining after the payment of the Company's debts and liabilities. Holders of the Common Stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the Common Stock. The rights, preferences and privileges of the holders of the Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock that we may designate in the future.

The Common Stock is not convertible into, or exchangeable for, any other class or series of the Company's capital stock. Holders of the Common Stock do not have preemptive or other rights to subscribe for or purchase additional securities of the Company. Certain provisions of the Company's articles of incorporation and bylaws may delay, discourage, prevent or render more difficult an attempt to obtain control of the Company, whether through a tender offer, business combination, proxy contest or otherwise. These provisions include the charter authorization of "blank check" preferred stock (as described above) and a restriction on the ability of stockholders to call a special meeting.

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**EQUITY INTEREST PURCHASE AGREEMENT**

**by and among**

**U.S. PHYSICAL THERAPY, LTD., as Buyer**

**MSO METRO LLC, as the Company,**

**THE EQUITYHOLDERS OF THE COMPANY SIGNATORY HERETO, as Sellers**

**AND**

**MICHAEL G. MAYRSOHN, as Sellers' Representative**

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**Exhibits:**

- Exhibit A – Interpretation and Definitions
- Exhibit B – Employment Agreement
- Exhibit C – Escrow Agreement
- Exhibit D – Company LLC Agreement
- Exhibit E – Form of Non-Competition Agreement
- Exhibit F – Parent Guarantee
- Exhibit G – USPH Management Agreement

## EQUITY INTEREST PURCHASE AGREEMENT

THIS EQUITY INTEREST PURCHASE AGREEMENT (this "Agreement") is made as of October 7, 2024, by and among (i) MSO Metro LLC, a New York limited liability company (the "Company"), (ii) the equityholders of the Company set forth on the signature pages hereto (each, a "Seller" and collectively, "Sellers"), (iii) U.S. Physical Therapy, Ltd., a Texas limited partnership ("Buyer"), and (iv) Michael G. Mayrsohn, solely in his capacity as representative for Sellers pursuant to Section 11.17 (the "Sellers' Representative"). The capitalized terms used herein and not otherwise defined herein will have the meaning ascribed such terms in Exhibit A.

### RECITALS

- A. Sellers own all the issued and outstanding Equity Interests of the Company.
- B. The Affiliated Practices (as defined herein) are in the business of providing physical, occupational, speech, acupuncture and massage therapy (the "Professional Services") throughout Florida, New York, Connecticut and Rhode Island.
- C. The Company is in the business of providing management, administrative and other support and consulting services to the Affiliated Practices (the "Management Services").
- D. At the Closing, Buyer desires to purchase from Sellers, and Sellers desire to sell to Buyer, 50% of the issued and outstanding Equity Interests of the Company which are owned and held by Sellers (the "Transferred Interests"), with each Seller selling their Pro Rata Share of the Transferred Interests.
- E. Immediately after receipt of the Purchase Price, Sellers and the Company desire to effectuate the transactions described in this Agreement and the other Transaction Agreements (the "Transactions").

### AGREEMENT

In consideration of the mutual representations, warranties, covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I PURCHASE OF TRANSFERRED INTERESTS

1.1 Transfer of Transferred Interests. Pursuant to the terms and subject to the conditions set forth herein, at the Closing, Sellers will sell, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept from Sellers, all right, title and interest of Sellers in and to the Transferred Interests, free and clear of all Liens, other than restrictions on transfer arising under applicable federal and state securities Laws and pursuant to the Company LLC Agreement, in exchange for the Closing Date Payments.

1.2 Delivery of Closing Payment Certificate; Calculation of Purchase Price.

(a) Not more than five (5) Business Days (but at least two (2) Business Days) prior to the Closing Date, Sellers' Representative will prepare in good faith and deliver to Buyer a certificate, in form and substance reasonably satisfactory to Buyer (the "Closing Payment Certificate"), setting forth (i) Sellers' good faith estimates of each of (A) the Indebtedness Amount (such estimate, the "Estimated Indebtedness Amount"), (B) the Company Transaction Expenses (such estimate, the "Estimated Company Transaction Expenses"), and (C) the amount of Closing Working Capital (such estimate, "Estimated Closing Working Capital"); (ii) the allocation to each Seller of the Closing Payment; and (iii) the payment instructions described in Section 1.5(b).

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(b) For purposes of this Agreement, the “**Estimated Base Purchase Price**” means an amount equal to (i) \$75,000,000.00 (the “**Base Amount**”); minus (ii) the Estimated Indebtedness Amount; minus (iii) the Estimated Company Transaction Expenses (to the extent unpaid prior to the Closing Date and not taken into account in the calculation of the Estimated Closing Working Capital); plus (iv) the amount, if any, by which Estimated Closing Working Capital exceeds Target Working Capital; minus (v) the amount, if any, by which Target Working Capital exceeds Estimated Closing Working Capital.

(c) The Estimated Base Purchase Price will be subject to adjustment as set forth in **Section 1.6**, and the Estimated Base Purchase Price as finally adjusted pursuant to **Section 1.6** will be the “**Base Purchase Price**.” The “**Purchase Price**” shall be equal to (i) the Base Purchase Price plus (ii) the USPT Shares plus (iii) the Earn-Out Payment (defined below), if any.

### 1.3 **Additional Purchase Price**

(a) In the event that the Company achieves the Earn-Out Payment Condition as defined in this **Section 1.3** relating to the twelve months ending December 31, 2025 (the “**Earn-Out Period**”), Buyer shall pay, or cause to be paid, in cash, an amount equal to the Earn-Out Payment less the Earn-Out Bonus Amount, if any, to the Sellers based on their Pro Rata Share. The criteria necessary to achieve the foregoing payment of any Earn-Out Payment (the “**Earn-Out Payment Condition**”) shall be that the EBITDA for the Earn-Out Period with respect to the Business as operated from (i) the existing clinic locations as of the Closing Date and (ii) the RI Locations, is at least \$12,000,000.01. The amount of the earn-out payment (the “**Earn-Out Payment**”) shall be equal to fifty percent (50%) of the product of (x) the EBITDA in excess of \$12,000,000.00 multiplied by (y) 12.75; provided that the maximum amount of the Earn-Out Payment that can be earned and is payable pursuant to this **Section 1.3** shall be \$20,000,000.00 (“**Earn-Out Cap**”). For purposes of this **Section 1.3(a)**, “**RI Locations**” means any clinics of the Business acquired by the Company or an Affiliated Practice (each, an “**Acquired Clinic**”) or any de novo clinics of the Business opened (each, a “**De Novo Clinic**”) during the period commencing on the date hereof and ending on or before January 31, 2025, including the clinics set forth on **Schedule A-5**; provided that (A) any Acquired Clinic shall only constitute a RI Location for purposes of this **Section 1.3(a)** if the Sellers pay one hundred percent (100%) of the purchase price consideration, including any Historical Earnout/Note Obligation Amount as set forth on **Schedule A-5** and any other third party costs associated therewith, with respect to the acquisition of such Acquired Clinic and (B) any De Novo Clinic shall only constitute a RI Location for purposes of this **Section 1.3(a)** if Sellers pay one hundred percent (100%) of the build out costs as set forth on **Schedule A-5** (the “**Build Out Costs**”) and any other third party costs associated therewith, with respect to the opening of such De Novo Clinic.

(b) Promptly after the closing of the books and records for the Earn-Out Period, but in any event within ninety (90) days following the Earn-Out Period, Buyer shall prepare a calculation setting forth in reasonable detail (i) the EBITDA and (ii) the amount of the Earn-Out Payment (the “**Earn-Out Payment Calculation**”), and deliver the Earn-Out Payment Calculation to the Sellers’ Representative.

(c) The Sellers' Representative shall have thirty (30) days following receipt of the Earn-Out Payment Calculation to review and consider the Earn-Out Payment Calculation and provide written notice to Buyer stating either: (i) the Sellers' Representative's acceptance, without objection, to the Earn-Out Payment Calculation (the "**Earn-Out Acceptance Notice**") or (ii) the Sellers' Representative's objection to the Earn-Out Payment Calculation (the "**Earn-Out Objection Notice**"). If, within such 30-day period, (x) the Sellers' Representative provides Buyer with an Earn-Out Acceptance Notice, or does not provide Buyer with an Earn-Out Objection Notice, and (y) the Earn-Out Payment Calculation shows that the Earn-Out Payment Condition is met, then the Earn-Out Payment Calculation shall be conclusive and binding upon the parties and Buyer shall pay the Earn-Out Payment to the Sellers' Representative, for distribution to the Sellers as set forth in **Section 1.3(a)** above, as promptly as practicable, but in any event within thirty (30) days after the Earn-Out Payment Calculation was delivered to the Sellers' Representative, by wire transfer of immediately available funds to a single bank account designated in writing by the Sellers' Representative, such designation to occur no later than the second Business Day prior to the payment date. If the Sellers' Representative delivers an Earn-Out Objection Notice, and Buyer and the Sellers' Representative are unable to resolve the dispute within fifteen (15) days after the Sellers' Representative objects, all unresolved disputed items shall be promptly referred to Forvis Mazars, LLP, or if Forvis Mazars, LLP is unable or unwilling to be engaged, then to a mutually agreeable independent accounting firm of recognized national standing (the "**Accounting Firm**"); **provided, however**, if the parties are unable to agree within thirty (30) days after Buyer's receipt of the Earn-Out Objection Notice, either Buyer or the Sellers' Representative may require, by written notice to the other, that the Accounting Firm be selected by a judge of the federal courts in New York, New York (or the Regional Office of the American Arbitration Association for New York, New York in accordance with the procedures of the American Arbitration Association, if a judge is not willing to make such appointment).

(d) The Accounting Firm shall offer Buyer and the Sellers' Representative the opportunity to provide written submissions regarding their positions on the disputed matters, which written submissions shall be provided to the Accounting Firm, if at all, no later than ten (10) days after the date of referral of the disputed matters to the Accounting Firm and a rebuttal statement to the other parties position statement, which shall be provided to the Accounting Firm, if at all, five (5) Business Days after expiration of such initial ten (10) day period. Failure of a party to timely submit its position statement to the Accounting Firm shall constitute a waiver by party as to the matter in dispute and its agreement to the position proposed by the other party on the matter in dispute.

(e) The Accounting Firm shall address only those matters referred to it. The determination of the Accounting Firm shall be based solely on such written submissions by Buyer and the Sellers' Representative and their respective representatives and shall not be by independent review and the Accounting Firm shall not take any testimony or hear any oral argument. There will be no ex parte communications between either Buyer or Sellers' Representative and the Accounting Firm.

(f) The Accounting Firm shall deliver a written report resolving only the disputed matters and setting forth the basis for such resolution within thirty (30) days after Buyer and the Sellers' Representative submit in writing (or have had the opportunity to submit in writing but have not submitted) their rebuttal statements. The determination of the Accounting Firm with respect to the correctness of the Earn-Out Payment Calculation shall be final and binding on the parties, absent manifest fraud or error.

(g) The fees, costs and expenses of the Accounting Firm shall be borne pro rata, as between Buyer, on the one hand, and Sellers' Representative, on the other hand, in proportion to the relative difference between the positions taken by Buyer and Sellers' Representative compared to the determination of the Accounting Firm, in accordance with the example set forth in **Section 1.6(g)** applied on a *mutatis mutandis* basis. The Accounting Firm shall conduct its determination activities in a manner wherein all materials submitted to it are held in confidence and shall not be disclosed to third parties. The parties hereto agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced.

(h) The Accounting Firm shall act as an expert for the limited purpose of determining the specific matter submitted to it and may not award damages or penalties to any party with respect to any matter.

(i) Buyer acknowledges that the Sellers' opportunity to receive the Earn-Out Payment pursuant to this **Section 1.3** is an integral part of the transactions contemplated under this Agreement, and the Sellers would not have entered into this Agreement but for such opportunity. Accordingly, Buyer acknowledges that it owes the Sellers a duty of good faith and fair dealing with regard to the conduct of the business of the Company from the Closing through the end of the Earn-Out Period in order to provide the Sellers with a full and fair opportunity to maximize the Earn-Out Payment. Without limiting the foregoing, from the Closing through the end of the Earn-Out Period, Buyer agrees that it will not take any actions, or fail to take any actions, in bad faith with the express purpose or intent to reduce the EBITDA or prevent the Earn-Out Payment from being achieved.

(j) Any Earn-Out Payment paid to the Sellers shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes, unless otherwise required by Law.

#### 1.4 **Escrow Accounts.**

(a) At the Closing, Buyer will deposit the Historical Earnout/Note Obligation Amount and the Indemnity Escrow Amount into separate escrow accounts (the "**Historical Obligation Escrow Account**" and the "**Indemnity Escrow Account**," respectively) established pursuant to the terms of the Escrow Agreement.

(b) Within five (5) Business Days prior to the date that any portion of the Historical Earnout/Note Obligation Amount becomes due and payable in accordance with the terms of the applicable asset sale agreement set forth on **Schedule A-2** (or any promissory note or other ancillary agreement entered into pursuant thereto), Buyer and Sellers' Representative will execute and deliver to the Escrow Agent a joint instruction authorizing the Escrow Agent to disburse funds from the Historical Obligation Escrow Account in accordance with the joint instruction.

#### 1.5 **The Closing.**

(a) The closing of the purchase and sale of the Transferred Interests and the Transactions (the "**Closing**") will take place on the third (3<sup>rd</sup>) Business Day after which all the conditions set forth in **ARTICLE VII** (other than those that by their terms are to be satisfied at the Closing) are satisfied or waived, or at such other place or on such other date as is mutually acceptable to Buyer and Sellers' Representative. The date of the Closing is referred to herein as the "**Closing Date**." Unless otherwise agreed in writing by the parties hereto, the Transactions will be effective for tax, accounting and all other purposes as 11:59 p.m. (Eastern Standard Time) on the Closing Date.

(b) **Buyer's Closing Deliverables.** Subject to the terms and conditions set forth herein, including the representations, warranties, covenants and agreements, at the Closing, Buyer will:

(1) pay, or cause to be paid, to Sellers, in accordance with the allocation set forth on the Closing Payment Certificate, an amount equal to the sum of (i) the Estimated Base Purchase Price, (ii) minus the Escrow Amounts, (iii) minus the Build Out Costs, (iv) and minus the IT Costs (the "**Closing Payment**") by wire transfer of immediately available funds to the account(s) designated by Sellers' Representative in the Closing Payment Certificate in exchange for all the Transferred Interests;

(2) pay, or cause to be paid, on behalf of the Company, the Estimated Indebtedness Amount (other than the Historical Earnout/Note Obligation Amount), in each case, in accordance with the payoff letters executed by the applicable lender with respect thereto, by wire transfer of immediately available funds to the account(s) designated in such payoff letters;

(3) pay, or cause to be paid, on behalf of the Company, the Estimated Company Transaction Expenses required to be paid at Closing by wire transfer of immediately available funds to account(s) designated by Sellers' Representative in the Closing Payment Certificate;

(4) deliver to the Escrow Agent the Escrow Amounts, by wire transfer of immediately available funds to the account designated by the Escrow Agent, in accordance with **Section 1.4**;

(5) deposit the Build Out Costs, by wire transfer of immediately available funds, in a segregated bank account of the Company designated by the Sellers' Representative;

(6) deliver to Sellers' Representative executed counterparts to the Escrow Agreement, duly executed by Buyer;

(7) deliver to Sellers' Representative executed counterparts to the Employment Agreement, duly executed by Buyer on behalf of the Company;

(8) deliver to Sellers' Representative an executed Parent Guarantee, duly executed by Parent;

(9) deliver to Sellers' Representative an executed counterpart to the Non-Competition Agreement, duly executed by Buyer;

(10) deliver to Sellers' Representative an executed counterpart to the Company LLC Agreement, duly executed by Buyer;

(11) deliver to Sellers' Representative an executed counterpart to the USPH Management Agreement, duly executed by USPT Management, Ltd.;

(12) deliver to Sellers' Representative a completed and executed IRS Form W-9 for Buyer;

(13) cause Parent to issue the USPT Shares to Mayrsohn; and

(14) make such other deliveries and take such other actions as are required by **ARTICLE VII**.

(c) **Sellers' and Sellers' Representative's Closing Deliverables**. Subject to the terms and conditions set forth herein, including the representations, warranties, covenants and agreements, at the Closing, Sellers or Sellers' Representative, as the case may be, will deliver to Buyer:

(1) copies of all filings, notices, licenses, permits, approvals and other consents of, to or with, any Person (including any Governmental Entity) that are listed in **Schedule 1.5(c)(1)** which will have been duly made or obtained and will be in full force and effect as of the Closing, each in form and substance reasonably satisfactory to Buyer;

(2) one or more payoff letters, duly executed by the applicable lenders, with respect to all Indebtedness of the Company, accompanied by UCC termination statements, releases and any other documentation reasonably requested by Buyer to evidence the satisfaction in full of such Indebtedness, in each case, in form and substance satisfactory to Buyer;

(3) invoices or other supporting documentation evidencing the Estimated Company Transaction Expenses set forth in the Closing Payment Certificate;

(4) executed counterparts to the Escrow Agreement, duly executed by Sellers' Representative and the Escrow Agent;

(5) executed counterparts to the Company LLC Agreement, duly executed by Sellers;

(6) a certificate executed by the secretary of the Company certifying (A) the Company's certificate of formation as filed with and certified by the Secretary of State of Delaware and any amendments thereto, (B) certified copies of the resolutions duly adopted by the Company's managers and members authorizing the execution, delivery and performance of this Agreement and the Transactions, and (C) the good standing certificate (or equivalent document) for the Company in its jurisdiction of organization, dated within five (5) Business Days prior to the Closing Date;

(7) an executed counterpart to the Employment Agreement, duly executed by Mayrsohn;

(8) an executed counterpart to the USPH Management Agreement, duly executed by the Company;

(9) executed copies of the MSO Documents, duly executed by each of Mayrsohn, Glasser, and the applicable Affiliated Practice;

(10) executed counterparts to the Non-Competition Agreement, duly executed by each of Mayrsohn and Glasser;

(11) the Equity Incentive Plan;

(12) fully executed amended and restated Related Party Leases, in a form mutually agreed to by Buyer and Sellers' Representative;

(13) completed and executed IRS Forms W-9 for each Seller; and

(14) Sellers or Sellers' Representative will make such other deliveries and take such other actions as are required by **ARTICLE VII**.

(d) Other Agreements. The parties to this Agreement agree to execute, transfer and deliver to each other such other documents or instruments as may be reasonably requested or may be required to effect the Transactions.

1.6 **Post-Closing Adjustments to Estimated Base Purchase Price.**

(a) As promptly as practicable, but no later than ninety (90) days following the Closing Date, Buyer will prepare in good faith and deliver to Sellers' Representative a statement (the "**Closing Statement**") setting forth Buyer's calculation of (i) the Indebtedness Amount; (ii) the Company Transaction Expenses; and (iii) the Closing Working Capital.

(b) In the event Buyer fails to timely deliver to Sellers' Representative the Closing Statement described in the preceding sentence, at Sellers' Representative's election, either (i) the amounts set forth in the Closing Payment Certificate will be deemed final in which case the Closing Payment Certificate will be deemed the Final and Binding version of the Closing Statement, the Estimated Base Purchase Price will be deemed the Base Purchase Price, and the Adjustment Amount will be zero dollars (\$0), or (ii) Sellers' Representative may, at Buyer's sole cost and expense, unilaterally engage the Accounting Firm for an independent determination of the Indebtedness Amount, the Company Transaction Expenses, and the Closing Working Capital, in each case in accordance with the requirements of this Agreement and without advocacy by either Buyer or Sellers' Representative, which amounts will be deemed Final and Binding as if set forth in the Final and Binding version of the Closing Statement. Buyer will pay to the Accounting Firm or reimburse to Sellers' Representative, as applicable, any costs or expenses of the Accounting Firm in connection with its engagement pursuant to subpart (ii) of the preceding sentence.

(c) During the thirty (30) days after delivery of the Closing Statement, Buyer will, and will cause the Company to, provide Sellers' Representative and its accountants reasonable access, during normal business hours and upon reasonable notice, to (i) review the financial books and records of the Company, including any of the Company's accountants' work papers related to the calculation of amounts in the Closing Statement (subject to the execution of any access letters that such accountants may require in connection with the review of such work papers); and (ii) the employees and other representatives of Buyer and the Company who were responsible for the preparation of the Closing Statement to respond to questions relating to the preparation of the Closing Statement and the calculation of the items thereon, in each case solely to allow Sellers' Representative to determine the accuracy of Buyer's calculation of the items set forth in the Closing Statement.

(d) If Sellers' Representative disagrees with any of Buyer's calculations set forth in the Closing Statement, Sellers' Representative may, within thirty (30) days after delivery of the Closing Statement, deliver a written notice (the "**Objection Notice**") to Buyer disagreeing with such calculations. Any Objection Notice will specify those items or amounts with which Sellers' Representative disagrees, together with a detailed written explanation of the reasons for disagreement with each such item or amount, and will set forth Sellers' Representative's calculation, based on such objections, of (i) the Indebtedness Amount, (ii) the Company Transaction Expenses and (iii) the Closing Working Capital. If Sellers' Representative does not deliver an Objection Notice within such 30-day period, the amounts set forth in the Closing Statement will be deemed to be Final and Binding.

(e) Notwithstanding anything to the contrary, in the event Buyer, the Company, or any of their accountants, employees, or other representatives do not provide any information, papers or documents reasonably requested by Sellers' Representative or any of his representatives within five (5) Business Days after a request therefor (or such shorter period as may remain in such thirty (30) day period), such thirty (30) day period for the Objection Notice will be extended by one (1) day for each additional day required for Buyer, the Company, or any of their accountants, employees, or other representatives to fully respond to such request.



(f) If an Objection Notice is timely delivered pursuant to **Section 1.6(d)**, Sellers' Representative and Buyer will, during the thirty (30) days following such delivery, use their commercially reasonable efforts to reach agreement on the value of the disputed items or amounts, and any discussions relating thereto will be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar state rule(s) and evidence of such discussions will not be admissible in any future proceedings between the parties to this Agreement. If, during such period, Sellers' Representative and Buyer are unable to reach agreement on all disputed items, they will promptly thereafter mutually engage and submit such dispute to the Accounting Firm for Final and Binding resolution. Sellers' Representative and Buyer will enter into a customary engagement letter with the Accounting Firm, which engagement letter will explicitly provide that, in resolving the amounts in dispute, the Accounting Firm (i) will consider only those items or amounts disputed by Sellers' Representative in the Objection Notice which remain in dispute; (ii) will not assign a value to any item or amount in dispute greater than the greatest value for such item or amount assigned by Sellers' Representative, on the one hand, or Buyer, on the other hand, or less than the smallest value for such item or amount assigned by Sellers' Representative, on the one hand, or Buyer, on the other hand; and (iii) will act as an expert and not as an arbitrator. The Accounting Firm's determination will be based solely on presentations by Sellers' Representative and Buyer which are in accordance with the guidelines and procedures set forth in this Agreement (i.e., not on the basis of independent review) and Sellers' Representative and Buyer will cause the Accounting Firm to deliver to Sellers' Representative and Buyer as promptly as practicable (but in any event within 30 days of its retention) a written report setting forth its determination of the amounts in dispute. Such report will be Final and Binding on all parties to this Agreement. The "**Final Resolution Date**" will be (i) thirty (30) days after delivery of the Closing Statement if no Objection Notice is delivered (subject to extension pursuant to the last sentence of **Section 1.6(e)**); (ii) the earlier of when the parties reach a written agreement on the value of the disputed items or the Accounting Firm delivers its report if an Objection Notice is timely delivered then; or (iii) the date Sellers' Representative unilaterally elects for the amounts set forth in the Closing Payment Certificate to be deemed Final and Binding pursuant to **Section 1.6(b)**.

(g) Subject to the provisions of **Section 1.6(b)**, Buyer and Sellers' Representative will each be responsible for the fees and expenses of the Accounting Firm pro rata, as between Buyer, on the one hand, and Sellers' Representative, on the other hand, in proportion to the relative difference between the positions taken by Buyer and Sellers' Representative compared to the determination of the Accounting Firm. By way of example, if Buyer has taken the position that Closing Working Capital was \$1,000,000 less than Estimated Closing Working Capital and Sellers' Representative has taken the position that Closing Working Capital was \$500,000 greater than Estimated Closing Working Capital and the Accounting Firm finally determines that Closing Working Capital was equal to Estimated Closing Working Capital, then Buyer will pay two thirds (2/3) of the fees and expenses of the Accounting Firm and Sellers will pay one third (1/3) of the fees and expenses of the Accounting Firm. Subject to the provisions of **Section 1.6(b)**, all other fees and expenses incurred in connection with the dispute resolution process set forth in this **Section 1.6**, including fees and expenses of attorneys and accountants, will be borne and paid by the party incurring such expense.

#### 1.7 **Post-Closing Adjustment Payments.**

(a) The "**Adjustment Amount**" will be an amount (which may be expressed as a positive or negative number) equal to the sum of (i) the difference between the Indebtedness Amount as finally determined pursuant to **Section 1.6** and Estimated Indebtedness Amount (expressed as a positive number if the Indebtedness Amount is less than Estimated Indebtedness Amount or a negative number if the Indebtedness Amount exceeds the Estimated Indebtedness Amount); **plus** (ii) the difference between Company Transaction Expenses as finally determined pursuant to **Section 1.6** and Estimated Company Transaction Expenses (expressed as a positive number if the Company Transaction Expenses are less than the Estimated Company Transaction Expenses or as a negative number if the Company Transaction Expenses exceed the Estimated Company Transaction Expenses); **plus** (iii) the difference between the Closing Working Capital as finally determined pursuant to **Section 1.6** and the Estimated Closing Working Capital (the "**Net Working Capital Amount**"), which Net Working Capital Amount will be expressed as (A) a positive number, if the Closing Working Capital exceeds the Estimated Closing Working Capital by at least \$200,000, (B) a negative number, if the Closing Working Capital is less than the Estimated Closing Working Capital by at least \$200,000, or (C) zero dollars (\$0) if the Closing Working Capital is within \$200,000, positive or negative, of the Estimated Closing Working Capital.

(b) If the Adjustment Amount, as finally determined pursuant to this **Section 1.7**, is a negative number, Sellers will, jointly and severally, within ten (10) Business Days after the Final Resolution Date, deliver to the Company payment by wire transfer of immediately available funds to the account designated by the Company, equal to the absolute value of the Adjustment Amount.

(c) If the Adjustment Amount, as finally determined pursuant to this **Section 1.7**, is a positive number, Buyer will, within ten (10) Business Days after the Final Resolution Date, deliver to Sellers' Representative (on behalf of Sellers, in accordance with each Seller's Pro Rata Share) payment by wire transfers of immediately available funds to the accounts designated by Sellers' Representative, equal to such Adjustment Amount in the aggregate.

(d) Any payment of an Adjustment Amount will be treated as an adjustment to the Purchase Price for all tax purposes.

**ARTICLE II.**  
**REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY ENTITIES**

Except as set forth in the Disclosure Schedules or as required under or necessary to carry out the Transaction Agreements or any documents contemplated to be delivered or executed in connection therewith, the Sellers, jointly and severally, hereby represents and warrants to Buyer as follows:

2.1 **Organization; Power.** The Company (i) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and each jurisdiction in which its ownership of property or conduct of business requires it to be qualified or licensed, except for any such failures to be so qualified or licensed that, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect; and (ii) possesses all requisite power and authority to own, operate, lease and license its properties, to carry on its business as now conducted, and to execute, deliver and perform its obligations under any Transaction Agreement to which it is or will become a party and to consummate all the Transactions. True and correct copies of Company's organizational documents currently in effect have been made available to Buyer and reflect all amendments made thereto at any time prior to the Closing Date.

2.2 **Authorization.** All limited liability company actions and proceedings required to be taken by or on the part of the Company to authorize and permit the execution, delivery and performance by the Company of this Agreement and the other Transaction Agreements to which the Company is or will be a party have been duly and validly taken. This Agreement has been, and each other Transaction Agreement to which the Company is or will be a party has been or will be prior to the Closing, duly executed and delivered by the Company. This Agreement constitutes, and each other Transaction Agreement to which Company is or will be a party constitutes, or will constitute when so duly executed and delivered, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, in each case subject to the Enforceability Exceptions.

2.3 **Capitalization and Related Matters.**

(a) **Disclosure Schedule 2.3(a)(i)** sets forth as of the date hereof and as of the Closing Date (i) all the outstanding Equity Interests of the Company; and (ii) a true and correct list of the legal record holders of such Equity Interests, listing for each Person: (A) his, her or its name, and if not a natural person, its type of entity and jurisdiction of incorporation or organization, and (B) the percentage of Equity Interests of the Company owned by such Person. **Disclosure Schedule 2.3(a)(ii)** sets forth as of the date hereof and as of the Closing Date (i) all the outstanding Equity Interests of each Affiliated Practice; and (ii) a true and correct list of the legal record holders of such Equity Interests, listing for each Person: (A) his, her or its name, and if not a natural person, its type of entity and jurisdiction of incorporation or organization, and (B) the percentage of Equity Interests of such Affiliated Practice owned by such Person.

(b) Sellers are the record owners of, and have good and valid title to, the Transferred Interests, free and clear of all Liens, other than restrictions on transfer arising under applicable federal and state securities Laws and pursuant to the Company LLC Agreement. The Transferred Interests have been duly authorized and validly issued.

(c) Except as set forth on **Disclosure Schedule 2.3(c)**, there are no issued, reserved for issuance or outstanding (i) Equity Interests in the Company or any Affiliated Practice; (ii) securities of the Company or any Affiliated Practice convertible into or exchangeable or exercisable for any Equity Interests in the Company or any Affiliated Practice or containing any profit participation features; or (iii) options, warrants, equity appreciation rights, phantom equity, calls, subscriptions or other rights to acquire from the Company or any Affiliated Practice or other obligations of the Company or any Affiliated Practice to issue or allot, any Equity Interests or securities convertible into, or exchangeable or exercisable for, or evidencing the right to subscribe for, any equity or voting interests in, the Company or any Affiliated Practice or any equity appreciation rights or phantom equity plans. There are no outstanding obligations of the Company to repurchase, redeem or otherwise acquire or retire for value any of the Transferred Interests.

(d) Except as set forth in the Company LLC Agreement, there are no contractual equity holder preemptive or similar rights, rights of first refusal, rights of first offer or registration rights with respect to the Transferred Interests. Except as set forth in the Company LLC Agreement, there are no agreements with respect to the voting or transfer of the Transferred Interests to which any holder thereof or the Company is a party.

(e) Except as set forth in the Company LLC Agreement, the Company has not adopted, sponsored, maintained or entered into any plan, arrangement, agreement or award providing for, or granted or otherwise issued any, equity or equity-linked compensation to any Person, including any restricted units or shares, profits interests, unit appreciation rights, options or phantom units.

2.4 **Company Subsidiaries and Affiliated Practices.**

(a) **Disclosure Schedule 2.4(a)** sets forth a true and correct list of all the Company Subsidiaries and Affiliated Practices, including each such Person's (i) name; (ii) type of entity; (iii) jurisdiction and date of incorporation or organization; (iv) authorized Equity Interests, including the number and type of its issued and outstanding Equity Interests, if applicable; and (v) current ownership of such Equity Interests. Other than as set forth on **Disclosure Schedule 2.4(a)**, the Company does not own or hold any Equity Interests or debt securities of, or has made any equity investment in, or has entered into any management services agreement with, any Person.

(b) Each Company Subsidiary and Affiliated Practice (i) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization; (ii) is duly organized, validly existing and in good standing under the Laws of each foreign jurisdiction set forth on **Disclosure Schedule 2.4(b)(i)**, which are all the jurisdictions in which its ownership of property or conduct of business requires it to be qualified or licensed, except for any such failures to be so qualified or licensed that, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect; and (iii) possesses all requisite organizational power and authority to own, operate, lease and license its properties, to carry on its business as now conducted, and to execute, deliver and perform its obligations under any Transaction Agreement to which it is or will become a party and to consummate all the Transactions. No other jurisdiction has given notice to any Company Subsidiary or Affiliated Practice indicating that such Company Subsidiary or Affiliated Practice, as applicable, should be qualified in any other jurisdiction. True and correct copies of each Company Subsidiary's and each Affiliated Practice's organizational documents currently in effect have been made available to Buyer and reflect all amendments made thereto at any time prior to the Closing Date. **Disclosure Schedule 2.4(b)(ii)** lists all of the officers, managers and directors, as applicable, of each Company Subsidiary and Affiliated Practice.

(c) The Company directly owns, and has good and valid title to, 100% of the issued and outstanding Equity Interests of each of the Company Subsidiaries, free and clear of Liens, other than restrictions on transfer arising under applicable federal and state securities Laws and the organizational documents of such Company Subsidiary. All the issued and outstanding Equity Interests of each Company Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable.

(d) There are no outstanding obligations of the Company Subsidiaries or any Affiliated Practice to repurchase, redeem or otherwise acquire or retire for value any Equity Interests of any Company Subsidiaries or any Affiliated Practice, as applicable.

2.5 **No Conflict: Required Filings and Consents.**

(a) The execution and delivery by the Company of this Agreement and execution and delivery by the Company Entities of the other Transaction Agreements to which any Company Entity is or will be a party does not, and the performance by such Company Entity of this Agreement and such other Transaction Agreements will not, (i) conflict with or violate any provision of the organizational or governing documents of any Company Entity; (ii) conflict with or violate any Law or Order applicable to any Company Entity in any material respect; (iii) (A) require any consent, notice, approval or other action by any Person under, (B) conflict with or result in any violation or breach of or any loss of any benefit under, (C) constitute a default (or an event which with notice or lapse of time or both would become a default) under, or (D) give to others any right of termination, vesting, amendment, acceleration or cancellation of, any right or obligation under any Material Contract or Permit; (iv) result in the creation of a Lien on any property or asset of any Company Entity.

(b) The execution and delivery by the Company of this Agreement and the execution and delivery by the Company Entities of the other Transaction Agreements to which any Company Entity is or will be a party does not and will not, and the performance of this Agreement and such other Transaction Agreements by any Company Entity will not, require any consent, approval, Order, authorization or permit of, or registration, declaration or filing with or notification to, any Governmental Entity.

2.6 **Financial Statements: Accounts Receivable.**

(a) **Disclosure Schedule 2.6(a)** sets forth true and correct copies of the Company Entities' (i) unaudited consolidated balance sheet as of April 30, 2024 (the "**Latest Company Balance Sheet**") and the related unaudited consolidated statement of income for the 4-month period then ended (the "**Company Interim Financial Statements**") and (ii) the unaudited consolidated balance sheet and related unaudited consolidated statement of income of the Company Entities for the fiscal years ended 2022 and 2023 (the "**Company Annual Financial Statements**") and, together with the Company Interim Financial Statements, the "**Company Financial Statements**").

(b) Each of the Company Financial Statements (i) was prepared from, and is consistent with, the books and records of the Company Entities, and (ii) has been prepared in accordance with Historical Accounting Principles, consistently applied throughout the periods covered thereby. The Company Financial Statements are, in all material respects, based on the books and records of the Company Entities, and fairly present, in all material respects, the financial condition of the Company Entities, taken as a whole, as of the respective dates covered thereby and the results of the operations of the Company Entities, taken as a whole, for the periods indicated therein.

2.7 **Indebtedness; Undisclosed Liabilities.**

(a) **Disclosure Schedule 2.7(a)** sets forth all Contracts with respect to outstanding Indebtedness of each Company Entity.

(b) No Company Entity has any Liability of the kind required to be disclosed on a balance sheet prepared in accordance with Historical Accounting Principles, except for Liabilities (i) reflected on the face of the Latest Company Balance Sheet or described in **Disclosure Schedule 2.7(b)**; (ii) incurred in connection with the execution of this Agreement and the Transaction Agreements at the direction of Buyer or that are included as Company Transaction Expenses; and (iii) of the type reflected on the face of the Latest Company Balance Sheet which have arisen since the date of the Latest Company Balance Sheet in the Ordinary Course of Business.

2.8 **Absence of Changes or Material Adverse Effect.** Since the date of the Latest Company Balance Sheet, except in connection with the Transactions, the Company Entities have each conducted the Business in the Ordinary Course of Business and there has not occurred any:

(a) change in the operation of the Business or any event or development that, individually or in the aggregate, has had a Material Adverse Effect;

(b) amendment of the organizational or governing documents of any Company Entity;

(c) split, combination or reclassification of any Equity Interests in any Company Entity;

(d) issuance, sale or other disposition of, or creation of any Lien on, any Equity Interests in any Company Entity, or grant of any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any Equity Interests in any Company Entity;

(e) declaration or payment of any distributions on or in respect of any Equity Interests in any Company Entity, other than distributions comprised solely of cash that will be paid in full at or prior to the Closing, or redemption, purchase or acquisition of any of any Company Entity's outstanding Equity Interests;

(f) material change in any method of accounting or accounting practice of the Company Entities, except as required by GAAP or as disclosed in the notes to the Company Financial Statements;

- (g) material change in any Company Entity's cash management practices, including with respect to the prepayment of expenses and payment of trade accounts payable, in each case other than in the Ordinary Course of Business;
- (h) entry into any Contract that would constitute a Material Contract;
- (i) incurrence, assumption or guarantee of any Indebtedness, except Indebtedness that will be repaid at or prior to Closing;
- (j) transfer, assignment, sale or other disposition (except in the Ordinary Course of Business) of any of the material assets shown or reflected in the Latest Company Balance Sheet included in the Company Interim Financial Statements or cancellation of any material debts or entitlements;
- (k) transfer or assignment of or grant of any license or sublicense under or with respect to any material intellectual property or intellectual property license agreements except non-exclusive licenses or sublicenses granted in the Ordinary Course of Business;
- (l) material damage, destruction or loss (whether or not covered by insurance) to their property;
- (m) a capital investment in, or loan to, any other Person (other than advances to employees for expenses in the Ordinary Course of Business);
- (n) acceleration, termination, material modification to or cancellation of any Material Contract;
- (o) material capital expenditures;
- (p) imposition of any Lien (other than Permitted Liens) upon any of any Company Entity's Equity Interests or properties or assets, tangible or intangible;
- (q) (i) grant of bonuses, whether monetary or otherwise, or material increase in any wages, salary, severance, pension or other compensation or benefits in respect of its current or former employees, officers, managers, independent contractors or consultants, other than in the Ordinary Course of Business, as provided for in any written agreements or required by applicable Law, (ii) change in the terms of employment for any employee or any termination of any employees for which the aggregate costs and expenses exceed \$125,000, or (iii) action to accelerate the vesting or payment of any compensation or benefit for any current or former employee, officer, manager, independent contractor or consultant;
- (r) adoption, modification or termination of any: (i) employment, severance, retention or other agreement with any current or former employee, officer, manager, independent contractor or consultant, (ii) Benefit Plan or (iii) collective bargaining or other agreement with a union, in each case whether written or oral;
- (s) any loan to (or forgiveness of any loan to), or entry into any other transaction with, any of its members or current or former managers, officers and employees (other than advances to employees for expenses in the Ordinary Course of Business);
- (t) entry into a new line of business or abandonment or discontinuance of existing lines of business;

(u) adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law;

(v) purchase, lease or other acquisition of the right to own, use or lease any property or assets for an amount in excess of \$50,000, individually (in the case of a lease, per annum) or \$100,000 in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), except for purchases of inventory or supplies in the Ordinary Course of Business;

(w) acquisition by merger or consolidation with, or by purchase of a substantial portion of the assets, stock or other equity of, or by any other manner, any business or any Person or any division thereof;

(x) action by any Company Entity to settle any matter with respect to Taxes, make, change or rescind any Tax election, amend any Tax Return or take any position on any Tax Return, take any action, omit to take any action or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of Buyer in respect of any post-Closing Tax Period; or

(y) entry into any Contract to do any of the foregoing.

2.9 **Title to Assets.** The Company Entities each have good and marketable title to, a valid leasehold interest in or a valid license to use, all the tangible properties and assets used by them, located on their premises, or shown on the Latest Company Balance Sheet or acquired thereafter (the "**Tangible Assets**"), free and clear of Liens, other than Permitted Liens. The Tangible Assets are in good operating condition (normal wear and tear excepted) and adequate for the uses to which they are being utilized and none of such Tangible Assets are in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

2.10 **Intellectual Property: IT.**

(a) **Disclosure Schedule 2.10(a)** sets forth a true and accurate list of the following Company Intellectual Property as of the date of this Agreement: (i) Patents; (ii) registered Trademarks and applications therefor, and unregistered Trademarks that are material to the operation of the Business; (iii) registered Copyrights and applications therefor; (iv) Domain Names; and (v) Software owned or licensed by the Company Entities (except for "shrink-wrap" or "click-through" license agreements pertaining to Software that is available in consumer retail stores or otherwise commercially available where the aggregate value of all licenses of the same or substantially identical Software is less than \$10,000), including for each item listed, as applicable, the owner, the jurisdiction, the application/serial number, the registration number, the filing date, and the issuance/registration date. All the foregoing registered Company Intellectual Property is valid, subsisting and enforceable in accordance with Law, has not been canceled, expired or abandoned, and to the Knowledge of the Company, is not involved in any interference, reexamination, cancellation, or opposition proceeding.

(b) The Company Entities use commercially reasonable efforts to protect the confidentiality, integrity and security of the Company Systems used in the operation of the business of the Company Entities from any unauthorized use, access, interruption, or modification. To the Knowledge of the Company, there have been no unauthorized intrusions, failures, breakdowns, chronic outages, or other adverse events affecting any Company Systems. The Company Entities maintain commercially reasonable disaster recovery and business continuity plans, procedures and facilities in connection with the operation of the business of the Company Entities, act in compliance therewith, and have taken commercially reasonable steps to test such plans and procedures on a periodic basis, and such plans and procedures have been proven effective upon such testing in all material respects.

2.11 **Real Property.**

(a) None of the Company Entities owns any real property.

(b) **Disclosure Schedule 2.11(b)** sets forth a true and correct list of all real property and interests in real property leased or subleased by any Company Entity as lessee (individually, a "**Leased Property**" and, collectively, the "**Leased Properties**") and identifies for each lease of Leased Property (each, a "**Lease**"), the parties thereto, the address of the property subject thereto (where available), and the current rent payable thereunder. Each of the Company Entities has a valid leasehold interest in each Leased Property, subject only to Permitted Liens.

(c) The Company has previously delivered to Buyer true and correct copies of each Lease, together with all amendments, modifications, supplements, waivers and side letters related thereto. With respect to each Lease: (i) the Lease is legal, valid, binding, enforceable and in full force and effect; (ii) none of the Company Entities or, to the Knowledge of the Company, any other party to the Lease is in breach or default thereunder and, to the Knowledge of the Company, no event has occurred which, with notice or lapse of time or both, would constitute such a breach or default or permit termination, modification or acceleration under the Lease; (iii) there are no disputes, oral agreements or forbearance programs in effect as to the Lease; (iv) the Lease has not been modified in any respect, except to the extent that such modifications are disclosed by the documents delivered to Buyer; (v) none of the Company Entities has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the Lease; and (vi) the Lease covers the entire estate it purports to cover.

2.12 **Contracts.**

(a) Except as set forth in **Disclosure Schedule 2.12(a)**, no Company Entity is a party to or bound by any:

(1) collective bargaining agreement or other Contract with any labor organization, union or association;

(2) other than in connection with a Benefit Plan, Contract for the employment or consultancy of any officer, individual employee or other Person on a full time, part-time or consulting basis or providing for the payment of any cash or other compensation or benefits upon the sale of all or a material portion of its assets or a change of control or otherwise restricting its ability to terminate the employment or services of any officer, individual employee or other Person at any time without penalty or Liability (other than at-will employment agreements with its employees);

(3) Contract relating to Indebtedness or to the mortgaging or pledging of, or otherwise placing a Lien on, any of its assets or any of its securities;

(4) Contract (or group of related Contracts) for the purchase, sale, or the furnishing or receipt of services which (A) calls for performance over a period of more than one year and is not terminable without cause by such Company Entity upon thirty (30) days or less advance notice, or (B) involves consideration in excess of \$500,000 in the aggregate, in each case, other than any Contract otherwise disclosed on Disclosure Schedule 2.12(a);



(5) Contract containing covenants that materially restrict the right or freedom of such Company Entity to (A) engage in any business activity, (B) engage in any line of business or compete with any Person, (C) conduct any activity in any geographic area, or (D) solicit any Person to enter into a business or employment relationship, or enter into such a relationship with any Person;

(6) Contract under which it has advanced or loaned any other Person any amounts which remain outstanding;

(7) Contract under which it is lessee of or holds or operates any property, real or personal, owned by any other Person, which involves annual rental payments of greater than \$100,000 or group of such Contracts with the same Person which involve consideration in excess of \$250,000 in the aggregate;

(8) Contract under which it is lessor of or permits any third party to hold or operate any property, real or personal, owned or controlled by it which involves consideration in excess of \$100,000 or group of such Contracts with the same Person which involve consideration in excess of \$250,000 in the aggregate;

(9) Contract between any Affiliated Practice, on the one hand, and the Company, on the other hand;

(10) Contract involving the settlement of any Action or threatened Action (A) which will (i) involve payments after the date of the Latest Company Balance Sheets of consideration in excess of \$50,000 or (ii) impose reporting obligations to any other Person or give any other Person the opportunity to monitor any Company Entity outside the Ordinary Course of Business or (B) with respect to which conditions precedent to the settlement have not been satisfied;

(11) (A) Contract relating to the acquisition or sale of the Business (or any material portion thereof), whether or not consummated or (B) Contract pursuant to which material payments are required upon a change of control of such Company Entity or a sale of substantially all the assets that constitute the Business;

(12) Contract with any Governmental Entity;

(13) partnership, joint venture or other similar Contract involving a share of profits, losses, costs, or liabilities with any other Person;

(14) Payor Agreement with any Company Entity; or

(15) Contract between any Company Entity, on the one hand, and any licensed physical therapist, other licensed health care practitioner, any professional corporation, any professional limited liability company or any professional association, on the other hand.

(b) All the Contracts set forth or required to be set forth in Disclosure Schedule 2.12(a) (each a "**Material Contract**") are valid, binding and enforceable against such Company Entity (as applicable and to the extent party thereto) and enforceable by such Company Entity (as applicable and to the extent party thereto) against the other parties thereto, in accordance with their respective terms, in each case, subject to the Enforceability Exceptions.

(c) Except as set forth on **Disclosure Schedule 2.12(c)**, no event has occurred which with the passage of time or the giving of notice or both would result in a default, breach or event of noncompliance by any Company Entity (as applicable and to the extent party thereto) under any such Contract, result in the termination thereof, cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder, or result in the right to a rebate, chargeback, refund, credit, penalty, or change under any such Contract. To the Knowledge of the Company, no other party to any such Contract is in breach thereof or default thereunder and no Company Entity has received any notice of termination, cancellation, breach or default under any such Contract.

(d) A true and correct copy of each written Material Contract and an accurate written description of each oral Material Contract have been made available to Buyer.

2.13 **Insurance. Disclosure Schedule 2.13** sets forth a true and correct list of all current insurance policies or binders maintained by or on behalf of the Company Entities (collectively, the "**Insurance Policies**") and true and correct copies of such Insurance Policies have been made available to Buyer. Such Insurance Policies are in full force and effect and will remain in full force and effect immediately following the consummation of the Transactions. No Company Entity has received any written notice of cancellation of, or material alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if due and payable prior to Closing, will be paid prior to Closing. There are no claims related to the Business pending under any such Insurance Policies as to which coverage has been denied or in respect of which there is an outstanding reservation of rights. The Insurance Policies are of the type and in the amounts sufficient for the operation of the Business as conducted on the Closing Date and are sufficient for compliance with all applicable Laws and Contracts to which any Company Entity is a party or by which it is bound.

2.14 **Legal Proceedings: Orders.**

(a) Except as set forth on **Disclosure Schedule 2.14(a)**, there are no Actions pending or, to the Knowledge of the Company, threatened against or affecting any Company Entity or any of their respective officers or directors or managers (in their capacities as such or otherwise with respect to the Business) that, individually or in the aggregate (i) would have a Material Adverse Effect on such Company Entity, as applicable, or on the Business, or (ii) could have the effect of preventing, delaying, making illegal, imposing limitations or conditions on, or otherwise interfering with, any of the Transactions. There are no Actions pending or threatened by any Company Entity against any Person.

(b) Except as set forth on **Disclosure Schedule 2.14(b)**, to the Knowledge of the Company, no Company Entity is the subject of any ongoing governmental investigation or inquiry. No Company Entity is subject to any Order or unsatisfied judgment, penalty or award.

2.15 **Tax Matters.**

(a) Each Company Entity has timely filed with the appropriate Taxing Authority all Tax Returns that are required to be filed by it (taking into account any extensions of time to file that have been duly perfected). All such Tax Returns are true, complete and accurate in all material respects. All Taxes due and owing by each Company Entity (whether or not shown on any Tax Returns) have been timely and fully paid. No Company Entity is currently the beneficiary of any extension of time within which to file any Tax Return. All Taxes that any Company Entity is obligated to withhold from amounts owing to any employee, creditor or third party have been fully withheld and timely paid over the applicable Taxing Authority. No claim has ever been made by a Taxing Authority in a jurisdiction where any Company Entity does not file a Tax Return that such Company Entity is or may be subject to taxation by that jurisdiction. No Company Entity has conducted business in any state or local jurisdiction for any period in which it has not filed Tax Returns with respect thereto.

(b) No Company Entity is currently or has ever been a party to any Tax allocation, Tax sharing, Tax indemnity, or Tax reimbursement agreement or arrangement (other than customary Tax indemnification provisions in credit agreements, lease agreements or other similar commercial agreements entered into in the Ordinary Course of Business that do not relate primarily to Taxes).

(c) No deficiencies for Taxes with respect to any Company Entity have been claimed, proposed or assessed in writing by any Taxing Authority, or, to the Knowledge of Company, verbally. No Company Entity is currently the subject of any audit or other examination of Taxes by the Taxing Authorities of any nation, state or locality, and to the Knowledge of the Company, no such audit or other examination is pending. No Company Entity has waived, in writing or otherwise, any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, which waiver is currently in effect. There are no matters under discussion with any Taxing Authority, or to the Knowledge of the Company, with respect to Taxes that are likely to result in an additional Liability for Taxes with respect to any Company Entity.

(d) There are no Liens for Taxes (other than those which are Permitted Liens) upon any of the assets of any Company Entity.

(e) The current and, where applicable, prior tax treatment, of each of the Company Entities is as set forth in **Disclosure Schedule 2.15(e)**.

(f) The Company is and from its inception has been properly classified as a Tax Partnership. Each Company Subsidiary is and from its inception has been properly classified as disregarded as an entity separate from the Company for federal income tax purposes. Each Affiliated Practice is and, to the extent applicable, was properly classified in accordance with the current and prior tax treatment for such Affiliated Practice set forth on **Disclosure Schedule 2.15(e)** for federal income tax purposes.

(g) No Company Entity has taken or claimed any employee retention credit in respect of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

(h) No representation or warranty contained in this **Section 2.15** will be deemed to apply directly or indirectly with respect to any taxable period (or portion thereof) beginning after the Closing Date.

2.16 **Compliance with Laws**.

(a) Except as set forth on **Disclosure Schedule 2.16(a)**, (i) Each Company Entity is, and for the last three (3) years has been, conducting the Business in compliance with Law in all material respects; and (ii) no Company Entity has received written or, to the Knowledge of the Company, oral, notice of any violation, alleged violation or potential violation of or Liability under any such Laws or to the effect that any of the Company Entities, or any director, manager, officer, representative, employee, agent, or service provider of, or acting on behalf of, the Company Entities, is under investigation or inquiry with respect to any violation of any Law applicable to the Company Entities.

(b) No condition exists that would reasonably be expected to (with or without notice or lapse of time) result in a violation by any Company Entity of any Law the results of which would have a Material Adverse Effect on the Business.

2.17 **Permits.** Disclosure Schedule 2.17 lists all material current Permits issued to the Company Entities, including the name of the Permits and their respective dates of issuance and expiration. Each of the Company Entities are in possession of all material Permits reasonably necessary for the operation of the Business. All applications for or renewals of such material Permits such have been timely filed and made and no such material Permit will expire or be terminated as a result of the consummation of the Transactions. All such material Permits are current, valid and in full force and effect and will remain in full force and effect immediately following the Closing. There is no Action pending, or to the Knowledge of the Company, threatened, nor has any Company Entity received any written notice from any Governmental Entity, to revoke, cancel, refuse to renew or adversely modify any such material Permit.

2.18 **Employees.**

(a) Disclosure Schedule 2.18(a) sets forth a true and correct list of the names of all present employees of each of the Company Entities (other than any employees that are licensed therapists and other licensed professional providers providing Professional Services at the Affiliated Practices) and sets forth for each employee the following: (i) name; (ii) title or position (including whether “full-time” or “part time”); (iii) principal work location; (iv) hire or retention date; (v) current annual base compensation rate or contract fee; and (vi) commission, bonus or other incentive-based compensation, if applicable. No employee of any Company Entity has informed such Company Entity in writing of any plan to terminate employment with such Company Entity, and to the Knowledge of the Company, no employee of any Company Entity has any present intention to terminate their employment with such Company Entity.

(b) Disclosure Schedule 2.18(b) sets forth a true and correct list of all licensed therapists and other licensed professional providers providing Professional Services at the Affiliated Practices as of the date hereof, and sets forth for each provider the following: (i) name; (ii) title or position (including whether employee or independent contractor, “full-time” or “part time”); and (iii) principal work location. No such licensed therapist or licensed professional provider providing Professional Services at any Affiliated Practice as of the date hereof has informed any Company Entity in writing of any plan to terminate employment or engagement with or services for such Company Entity, and to the Knowledge of the Company, no such therapist or licensed professional provider has any present intention to terminate their employment or engagement with such Company Entity.

(c) Disclosure Schedule 2.18(c) sets forth a true and correct list of the names of all present independent contractors or consultants of each of the Company Entities (other than any independent contractors that are licensed therapists and other licensed professional providers providing Professional Services at the Affiliated Practices) and sets forth for each independent contractor or consultant the following: (i) name; (ii) type of work performed for the Company Entity or Company Entities; (iii) time frame for the work to be performed; and (iv) Company Entity or Company Entities served by the independent contractor or consultant. No independent contractor or consultant of any Company Entity has informed such Company Entity in writing of any plan to terminate services for such Company Entity, and to the Knowledge of the Company, no independent contractor or consultant of any Company Entity has any present intention to terminate their services with such Company Entity, except to the extent any applicable independent contractor or consultant agreement has a determined end date for services.

(d) With respect to the Company Entities: (i) there is no collective bargaining agreement or relationship with any labor organization, and there are no labor unions or other organizations representing, purporting to represent or, to the Knowledge of the Company, attempting to represent, any employee; (ii) there are no unfair labor practice charges pending before the National Labor Relations Board or any other Governmental Entity, any grievances, complaints, claims or judicial or administrative proceedings, in each case, which are pending or, to the Knowledge of the Company, threatened by or on behalf of any employees; and (iii) no strike, slowdown, work stoppage, picketing, lockouts or other organized work interruption with respect to any employees has occurred during the past one (1) year, nor, to the Knowledge of the Company, are any such strikes, slowdowns, work stoppages, picketings, lockouts or other organized work interruptions threatened.

(e) With respect to the Company Entities, : (i) all wages, salaries, commissions, and bonuses due and owing to or on behalf of employees as of the Closing Date have been paid in full or are adequately accrued for; (ii) there is no claim with respect to payment of wages, salary or overtime pay that has been asserted in writing or is now pending or, to the Knowledge of the Company, threatened before any Governmental Entity with respect to any persons currently or formerly employed by such Company Entity; and (iii) no Company Entity is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices.

(f) To the Knowledge of the Sellers, with respect to the Company Entities, no employee is in violation of any term of any employment agreement, patent disclosure agreement, confidentiality obligation, non-competition agreement, or any restrictive covenant to a former employer or other third party relating to the right of any such employee to be employed by the Company Entity because of the nature of the business conducted by the Company Entity or to the use of trade secrets or proprietary information of others. Except as noted on **Disclosure Schedule 2.18(f)**, the employment of each of the employees of the Company Entities is "at will" and the Company Entities do not have any obligation to provide any particular form or period of notice prior to terminating the employment of any of its current employees.

2.19 **Employee Benefits.**

(a) **Disclosure Schedule 2.19(a)** sets forth a complete list of each Benefit Plan.

(b) With respect to each Benefit Plan, the Company has made available to Buyer true and correct copies of, to the extent available: (i) each Benefit Plan (or, if not written, a written summary of its material terms), including the current plan document, trust agreements, insurance contracts or other funding vehicles and all amendments thereto; (ii) the most recent summary plan description (as well as any modifications or amendments thereto); (iii) the three (3) most recent annual reports (Form 5500 series) filed with the Internal Revenue Service with accompanying schedules and attachments, with respect to each Benefit Plan required to make such a filing; (iv) the three most recent actuarial reports or other financial statement relating to such Benefit Plan; (v) the most recent determination or opinion letter, if any, issued by the Internal Revenue Service; (vi) the most recent nondiscrimination tests performed under the Code; (vii) all material filings made within the past three (3) years with any Governmental Entity; and (viii) all material non-routine, written communications with any Governmental Entity within the past three (3) years relating to any Benefit Plan.

(c) Each Benefit Plan has within the past three (3) years complied in all material respects in form and operation with its terms and all Laws, including ERISA and the Code, and within the past three (3) years all contributions required to be made under the terms of any of the Benefit Plans as of the date of this Agreement have been timely made in all material respects or, if not yet due, have in all material respects been properly reflected on the most recent consolidated balance sheet filed or incorporated by reference in each Company Entity's financial statements.

(d) Each Benefit Plan which is intended to qualify under Section 401(a) of the Code has either (i) received a favorable determination letter from the Internal Revenue Service as to its qualified status, or (ii) may rely upon a favorable opinion letter from the Internal Revenue Service.

(e) To the Knowledge of the Company, no Company Entity has within the past three (3) years engaged in, a material prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) other than a transaction that is exempt under a statutory or administrative exemption with respect to any Benefit Plan that would result in material Liability to such Company Entity. No material suit, action or other litigation is pending, or to the Knowledge of the Company, is threatened, against or with respect to any Benefit Plan.

(f) No Benefit Plan is, and neither the Company Entities nor any ERISA Affiliate of any Company Entity contributes to, has within the past three (3) years contributed to or has any material Liability or obligation with respect to any (i) plan subject to Title IV of ERISA or Section 412 of the Code; (ii) "multiemployer plan" (within the meaning of Section 3(37) of ERISA); (iii) "multiple employer plan" within the meaning of Section 413(c) of the Code; or (iv) multiple employer welfare arrangement (within the meaning of Section 3(40) of ERISA).

(g) Except where there would not be a Material Adverse Effect, neither the execution and delivery of this Agreement, nor the consummation of the Transactions will (i) entitle any current or former employee of any Company Entity to any payment; (ii) increase the amount of compensation or benefits due to any such employee; (iii) accelerate the vesting, funding or time of payment of any compensation, equity award or other benefit other than as required by a Benefit Plan or applicable Law; or (iv) result in the payment of any amount that would constitute an "excess parachute payment" (within the meaning of Section 280G(b)(1) of the Code) or result in the imposition of an excise Tax under Section 4999 of the Code. None of the Company Entities has any material obligation to make-whole or "gross up" any person for any Tax or related interest or penalties incurred by such Person imposed under Section 4999 or 409A of the Code.

(h) Each Benefit Plan that is a "nonqualified deferred compensation plan" (as defined for purposes of Code Section 409A(d)(1)) and not otherwise exempt from Code Section 409A, is in material documentary and operational compliance with the requirements of Code Sections 409A(a)(2), (3) and (4) and any applicable U.S. Department of Treasury or Internal Revenue Service guidance issued thereunder.

2.20 **Affiliated Transactions.** Except as set forth in **Disclosure Schedule 2.20**, no Related Party (a) is a party to any Contract with any Company Entity; (b) to the Knowledge of the Company, has any direct or indirect financial interest in, or is an officer, director, manager, employee or consultant of, any competitor, supplier, licensor, distributor, lessor, independent contractor or customer of any Company Entity or (it being agreed, however, that the passive ownership of securities listed on any national securities exchange representing no more than two (2%) percent of the outstanding voting power of any Person will not be deemed to be a "financial interest" in any such Person); (c) has any interest in any property or asset used by any Company Entity; (d) has outstanding any Indebtedness owed to any Company Entity; or (e) has received any funds from any of Company Entity since the date of the Latest Company Balance Sheet, or is the obligee or beneficiary of any Liability of any Company Entity except for funds received or Liability incurred in the Ordinary Course of Business.

2.21 **Environmental Matters.**

(a) Each of the Company Entities and the Business is in compliance in all material respects with all Environmental Laws.

(b) None of the Company Entities is a party to any Contract pursuant to which such Person is obligated to indemnify any other Person with respect to, or be responsible for any violations, obligations or Liabilities pursuant to Environmental Law, nor is any such Person otherwise subject to any Liability under any Environmental Law.

(c) The Company Entities have obtained and are in material compliance with all environmental Permits (each of which, if any, is disclosed in **Disclosure Schedule 2.17**) necessary for the ownership, lease, operation or use of the business or assets of the Company Entities and all such environmental Permits are in full force and effect.

(d) No real property currently or formerly owned, operated or leased by any Company Entity is listed on, or, to the Knowledge of the Company, has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(e) To the Knowledge of the Company, there has been no Release of Hazardous Materials in contravention of Environmental Law with respect to the business or assets of any Company Entity or any real property currently or formerly owned, operated or leased by any Company Entity, and neither the Company Entities nor Sellers has, in the last three (3) years, received a written notice that any real property currently or formerly owned, operated or leased in connection with the business of any Company Entity (including soils, groundwater, surface water, buildings and other structure located on any such real property) has been contaminated with any Hazardous Material in violation of any applicable Environmental Law or any environmental Permit held by Sellers or any Company Entity.

(f) The Company has provided to Buyer all known material environmental audits, reports, and assessments concerning the Company Entities or the Business that are in the possession, custody, or control of such Company Entities.

## 2.22 **Health Care and Regulatory Compliance.**

(a) To the Knowledge of the Company, each individual employed by or contracted by any Company Entity to provide professional services, including therapists, is duly licensed to provide such services, is in material compliance with all Health Care Laws relating to such professional licensure and meets the qualifications to provide such professional services under any Health Care Law, and the terms and conditions of Payor Agreements to which the applicable Company Entity is a party.

(b) Except as set forth on **Disclosure Schedule 2.22(b)**, (i) each of the Company Entities is conducting the Business in compliance with Health Care Laws in all material respects; and (ii) none of the Company Entities has received within the last one (1) year written or, to the Knowledge of the Company, oral, notice, including notification of any pending or threatened claim, suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action from any Governmental Entity, including the Centers for Medicare & Medicaid Services, the U.S. Department of Health and Human Services Office of Inspector General, or the U.S. Department of Justice, of non-compliance by, or Liability of, any Company Entity under any Health Care Law.

(c) No Company Entity nor any of their respective officers, directors, or employees, is a party to any whistleblower suits, or suits brought pursuant to federal or state False Claims Acts or Health Care Law related to any Governmental Entity. No Company Entity is a party to any corporate integrity agreement, deferred prosecution agreement, monitoring agreement, consent decree, settlement order, or similar agreements, or has any reporting obligations pursuant to any such agreement, plan or correction or other remedial measure entered into with any Governmental Entity.

(d) Except as set forth on **Disclosure Schedule 2.22(d)**, (i) all billing and collection practices of the Company Entities with respect to all Government Programs and Private Programs are in material compliance with all Health Care Laws, Payor Agreements, and to the Knowledge of the Company, regulations and policies of such Government Programs and Private Programs; (ii) no Company Entity has billed or submitted any claims for reimbursement in excess of amounts allowed by Health Care Laws or that are cause for civil or criminal penalties under, or mandatory or permissive exclusion from, any Government Program or under the terms of a Payor Agreement; and (iii) each of the Company Entities have maintained in all material respects records as required by Health Care Laws relating to the provision of, or billing or collection for, health care services to patients.

(e) The relationships of the Company Entities with their physician referral sources are good commercial working relationships. Except as disclosed in **Disclosure Schedule 2.22(e)**, none of such referral sources who have made referrals for the Business that aggregate in excess of 5% of the revenue of the Company Entities in calendar year 2023 has canceled, terminated or otherwise materially altered or notified any authorized representative of the Company Entities of any intention to cancel, terminate or materially alter its relationship with the Company Entities since January 1, 2024, and to the knowledge of Sellers, there will not be any such change as a result of the transactions contemplated by this Agreement. Except as otherwise listed on **Disclosure Schedule 2.22(e)**, none of the clinic locations are leased from landlords who are, or that are owned in whole or in part by, one or more physicians who have referred, or who based on the nature of their practice may refer, patients to the Company Entities for the provision of rehabilitation services.

#### 2.23 **Provider Programs.**

(a) To the extent applicable to its operations, each of the Affiliated Practices are enrolled as suppliers under Medicare (Title XVIII of the Social Security Act) and Medicaid (Title XIX of the Social Security Act). **Disclosure Schedule 2.23(a)** sets forth the Affiliated Practices' Payor Agreements for Medicare, Medicaid, and such other federal, state or local governmental programs from which the Affiliated Practices presently receive reimbursement on account of health care services provided by them (each, a "**Government Program**"), or with such private non-governmental payors or programs, including any private insurance payor or program, self-insured employer, or other third-party payor (each, a "**Private Program**"), under which the Affiliated Practices receive reimbursement for Health Care services provided by them. None of the Affiliated Practices has received written notice from any Government Program or Private Program to the effect that it intends to cease or materially alter its business relationship with such Affiliated Practice (whether as a result of the Transactions or otherwise).

(b) Except as set forth on **Disclosure Schedule 2.23(b)**, no Government Program or Private Program (i) has indicated in writing its intent to cancel or otherwise substantially modify its relationship with any Affiliated Practice or (ii) has advised in writing any Affiliated Practice of any material dispute outside the Ordinary Course of Business regarding reimbursement that has been paid to such Affiliated Practice relating to the provision of Health Care services. No material violation or Order exists with respect to any of the Payor Agreements. No Company Entity has received written notice of any Action pending by any Governmental Entity, and, to the Knowledge of the Company, there are no threatened Actions by any Governmental Entity, Government Program or Private Program, to revoke, suspend, refuse to renew, or adversely modify, any Payor Agreement.

#### 2.24 **Data Privacy and Security.**

(a) To the Knowledge of the Company, the Company and all Processing of Personal Information by or on behalf of the Company, is and has at all times been in compliance in all material respects with all Data Requirements. The Company has not received any written communication regarding any actual or suspected violation of any Data Requirements. No Action against the Company, or any audit or other investigation of the Company, by any Governmental Entity under any Data Requirements has occurred, is pending or, to the Company's Knowledge, is threatened.



(b) Except as set forth on **Disclosure Schedule 2.24(b)**, the Company has established and has at all times maintained and, to the Knowledge of the Company, complied in all material respects with all policies regarding the confidentiality, nondisclosure, privacy, and security of all data and information Processed by or on behalf of the Company ("**Company Data**") as required by all Data Requirements. The Company has obtained all applicable consents, permissions and authorizations required by all Data Requirements with respect to all Company Data and the Processing thereof. Without limiting the foregoing, the Company has entered into a valid and enforceable business associate agreement (as defined under HIPAA) with its Affiliated Practices, as applicable. To the Knowledge of the Company, the Company has entered into such other Contract as may be required under any Data Requirements in all instances in which the Company has processed Personal Information of, for, or on behalf of any Person, and in all instances in which any Person has processed Personal Information for or on behalf of the Company, that in each instance, to the Knowledge of the Company, complies with all Data Requirements.

(c) Since January 1, 2018, the Company has not notified, and, to the Knowledge of the Company, there have been no facts or circumstances that would require the Company to notify, any Governmental Entity or other Person of any Security Incident.

(d) Following the Closing, the Company will retain and have all consents, permissions and authorizations necessary to Process all Company Data in the same manner and to the same extent the Company Data was Processed by and on behalf of Company prior to the Closing. The Transactions will not cause, constitute, or result in a breach or violation of any applicable Data Requirements.

2.25 **Brokerage.** Except for Livingstone Partners, LLC, there are no claims for brokerage commissions, finders' fees, financial advisors' fees or similar compensation in connection with the Transactions based on any Contract to which any Company Entity is a party or that is otherwise binding upon any Company Entity and no Person is entitled to any fee or commission or like payment in respect thereof.

2.26 **Stimulus Funds.**

(a) **Disclosure Schedule 2.26(a)** sets forth all CARES Act stimulus fund programs or other programs related to the COVID-19 pandemic in which any Company Entity are participating and the amount of funds received or requested by such Company Entity for each such program as of the date hereof (the "**CARES Funds**"). The Company Entities have maintained accounting records associated with the CARES Funds in compliance with all the terms and conditions of such programs, including the Relief Fund Payment Terms and Conditions and related guidance available as of the date hereof. The Company Entities have utilized all such CARES Funds received by them pursuant to the Public Health and Social Services Emergency Fund in accordance with all Laws and the applicable Relief Fund Payment Terms and Conditions. Further, any such CARES Funds that have not been so used are maintained in the bank account(s) of the applicable Company Entity, as applicable, and have not been distributed to or any other Person, or otherwise utilized or expended. Except as set forth on **Disclosure Schedule 2.26(a)**, no Company Entity has requested any advance payments from Medicare pursuant to the applicable CARES Act stimulus fund program.

(b) Except as set forth on **Disclosure Schedule 2.26(b)**, no Company Entity has taken a loan pursuant to the Paycheck Protection Program (each, a "**PPP Loan**") and, together with the CARES Funds, the "**Stimulus Funds**"). A true and accurate copy of all PPP Loan applications of each Company Entity have been provided to Buyer. Each Company Entity, if applicable, that applied for a PPP Loan was and remains eligible for such PPP Loan and has complied with all terms and conditions relating to the PPP Loan.

(c) Except as expressly disclosed pursuant to this **Section 2.26**, no Company Entities have applied for or received any Stimulus Funds or other funds, benefits, deferrals or any other kind of remuneration in connection with the COVID-19 pandemic or any issues relating thereto.

2.27 **No Other Representations.** EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS **ARTICLE II**, NONE OF THE COMPANY ENTITIES, OR ANY OTHER PERSON IS MAKING ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY NATURE WHATSOEVER WITH RESPECT TO ANY COMPANY ENTITY (INCLUDING ANY OF THE ASSETS OR LIABILITIES OF ANY COMPANY ENTITY) OR TO ANY OTHER INFORMATION PROVIDED TO BUYER OR ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY PROJECTION OR FORECAST RELATING TO THE BUSINESS). EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS **ARTICLE II**, NONE OF SELLERS OR THE COMPANY ENTITIES OR ANY OTHER PERSON WILL HAVE OR BE SUBJECT TO ANY LIABILITY TO BUYER OR ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO BUYER OR ITS REPRESENTATIVES, OR BUYER'S USE OF, ANY SUCH INFORMATION, INCLUDING ANY INFORMATION, DOCUMENTS, PROJECTIONS, FORECASTS OR OTHER MATERIAL MADE AVAILABLE TO BUYER OR ITS REPRESENTATIVES IN THE DATA ROOM OR ANY MANAGEMENT PRESENTATION OR OTHERWISE IN EXPECTATION OF THE TRANSACTIONS.

### **ARTICLE III.** **ADDITIONAL REPRESENTATIONS AND WARRANTIES OF SELLERS**

Except as set forth in the Disclosure Schedules or as required under or necessary to carry out the Transaction Agreements or any documents contemplated to be delivered or executed in connection therewith, each Seller hereby represents and warrants to Buyer on a several (and not joint) basis as follows in **Sections 3.1, 3.2, 3.3** and **3.5** and Mayrhoth hereby represents and warrants to Buyer as follows in **Section 3.4**:

3.1 **Ownership.** Each Seller is the legal record owner of the Equity Interests of the Company (including the Transferred Interests) described on **Disclosure Schedule 2.3(a)(i)**, free and clear of Liens (except Permitted Liens) other than restrictions on transfer arising under applicable federal and state securities Laws and pursuant to the Company LLC Agreement.

3.2 **Enforceability.** This Agreement has been, and each other Transaction Agreement to which such Seller is or will be a party has been or will be prior to the Closing, duly executed and delivered by such Seller. This Agreement constitutes, and each other Transaction Agreement to which such Seller is or will be a party constitutes, or will constitute when so duly executed and delivered, a legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, in each case subject to Enforceability Exceptions.

3.3 **No Conflict; Required Filings and Consents.**

(a) The execution and delivery by such Seller of this Agreement and the other Transaction Agreements to which such Seller is a party does not, and the performance by such Seller of this Agreement and such other Transaction Agreements will not, (i) conflict with or violate any Law or Order applicable to such Seller or by which any property or asset of such Seller is bound or affected; (ii) (A) require any consent, notice, approval or other action by any Person under, (B) conflict with or result in any violation or breach of or any loss of any benefit under, (C) constitute a default (or an event which with notice or lapse of time or both would become a default) under, or (D) give to others any right of termination, vesting, amendment, acceleration or cancellation of, any material Contract or Permit, except in the case of **Section 3.3(a)(i)** and **Section 3.3(a)(ii)** for such violations, conflicts, defaults, breaches or other events which would not have a Material Adverse Effect; or (iii) result in the creation of a Lien on any property or asset of such Seller.

(b) The execution and delivery by such Seller of this Agreement and the other Transaction Agreements to which such Seller is a party does not and will not, and the performance of this Agreement and such other Transaction Agreements by such Seller will not, require any consent, approval, Order, authorization or permit of, or registration, declaration or filing with or notification to, any Governmental Entity.

3.4 **Securities and Investment Matters.**

(a) Mayrsohn has such knowledge, skill and experience in business, financial and investment matters that he is capable of evaluating the merits and risks of an investment in the USPT Shares. With the assistance of his own professional advisors, to the extent that he has deemed appropriate, Mayrsohn has made his own legal, tax, accounting and financial evaluation of the merits and risks of an investment in the USPT Shares. Mayrsohn has considered the suitability of the USPT Shares as an investment in light of his own circumstances and financial condition and he is able to bear the risks associated with an investment in the USPT Shares.

(b) Mayrsohn is an “accredited investor” as defined in Rule 501(a) under the Securities Act.

(c) Mayrsohn is acquiring the USPT Shares solely for his own beneficial account, for investment purposes, and not with a view to, or for resale in connection with, any distribution of the USPT Shares.

3.5 **No Other Representations.** EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS **ARTICLE III**, NEITHER SELLER NOR ANY OTHER PERSON IS MAKING ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY NATURE WHATSOEVER WITH RESPECT TO EITHER SELLER (INCLUDING ANY OF THE ASSETS OR LIABILITIES OF EITHER SELLER) OR TO ANY OTHER INFORMATION PROVIDED TO BUYER OR ITS AFFILIATES OR REPRESENTATIVES. NEITHER SELLER NOR ANY OTHER PERSON WILL HAVE OR BE SUBJECT TO ANY LIABILITY TO BUYER OR ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO BUYER OR ITS REPRESENTATIVES, OR BUYER’S USE OF, ANY SUCH INFORMATION, INCLUDING ANY INFORMATION, DOCUMENTS, PROJECTIONS, FORECASTS OR OTHER MATERIAL MADE AVAILABLE TO BUYER OR ITS REPRESENTATIVES IN THE DATA ROOM OR ANY MANAGEMENT PRESENTATION OR OTHERWISE IN EXPECTATION OF THE TRANSACTIONS.

**ARTICLE IV.**  
**REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Sellers as follows:

4.1 **Organization; Power.** Buyer is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and all other jurisdictions in which its ownership of property or conduct of business requires it to be qualified or licensed. Buyer possesses all requisite organizational power and authority necessary to own, operate and lease and license its properties, to carry on its business as now conducted and to carry out the Transactions.

4.2 **Authorization.** Buyer possesses all requisite organizational power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Agreements to which Buyer is a party and to consummate the Transactions. All organizational actions and proceedings required to be taken by or on the part of Buyer to authorize and permit the execution, delivery and performance by Buyer of this Agreement and the other Transaction Agreements to which Buyer is a party, and the compliance by Buyer with the provisions of this Agreement and each Transaction Agreement to which it is a party, have been duly and validly taken. This Agreement has been, and each other Transaction Agreement to which Buyer is a party has been, duly executed and delivered by Buyer. This Agreement constitutes, and each other Transaction Agreement to which Buyer is a party constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, in each case subject to Enforceability Exceptions.

4.3 **No Conflict; Required Filings and Consents.**

(a) The execution and delivery by Buyer of this Agreement and the other Transaction Agreements to which Buyer is a party does not, and the performance by Buyer of this Agreement and such other Transaction Agreements will not, (i) conflict with or violate any provision of the organizational documents of Buyer or its Subsidiaries; (ii) conflict with or violate any Law or Order applicable to Buyer, any of its Subsidiaries or by which any property or asset of Buyer or any of its Subsidiaries is bound or affected; or (iii) (A) require any consent, notice, approval or other action by any Person under, (B) conflict with or result in any violation or breach of or any loss of any benefit under, (C) constitute a default (or an event which with notice or lapse of time or both would become a default) under, or (D) give to others any right of termination, vesting, amendment, acceleration or cancellation of, any material Contract or Permit.

(b) The execution and delivery by Buyer of this Agreement and the other Transaction Agreements to which Buyer is a party does not and will not, and the performance of this Agreement and such other Transaction Agreements by Buyer will not, require any consent, approval, Order, authorization or permit of, or registration, declaration or filing with or notification to, any Governmental Entity.

4.4 **Investment.** Buyer is purchasing or acquiring, as applicable, the Transferred Interests for investment for its own account and not with a view to, or for sale in connection with, any distribution of such Transferred Interests in violation of federal and state securities Laws. Buyer is an “accredited investor” as defined in Regulation D promulgated under the Securities Act, and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Transferred Interests and is capable of bearing the economic risks of such investment. Buyer acknowledges that the Transferred Interests have not been registered under the Securities Act or the Exchange Act or any state or foreign securities Laws and that the Transferred Interests may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of unless such sale, transfer, offer, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and are registered under any applicable state or foreign securities Laws or pursuant to an exemption from registration under the Securities Act or the Exchange Act and any applicable state or foreign securities Laws.

4.5 **Legal Proceedings.** There are no Actions pending or, to the Knowledge of Buyer, threatened against or affecting Buyer, its Subsidiaries, any of their respective officers or directors or managers (in their capacities as such) or any of the assets owned or used by Buyer or any of its Subsidiaries that, individually or in the aggregate, challenges, or that could have the effect of preventing or making illegal any of the Transactions.

4.6 **No Exclusion.** Neither Buyer, nor any of its Affiliates, is a party to any corporate integrity agreement, deferred prosecution agreement, monitoring agreement, consent decree, settlement order, or similar agreements, or has any reporting obligations pursuant to any such agreement, plan or correction or other remedial measure entered into with any Governmental Entity. Neither Buyer, nor any of its Affiliates nor any of their respective officers or directors, is or has ever been excluded, suspended or debarred from participation, or is or has ever been otherwise ineligible to participate in any Government Program.

4.7 **Available Funds.** Buyer has sufficient funds (or access to other sources of immediately available funds) to permit Buyer to consummate the Transactions. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that it will not be a condition to the obligations of Buyer to consummate the Transactions that Buyer have sufficient funds for payment of the Purchase Price.

4.8 **Solvency.** Buyer is not entering into this Agreement or the Transactions with the actual intent to hinder, delay or defraud either present or future creditors of Buyer or any of its Subsidiaries. After giving effect to the Transactions, at and immediately after the Closing, Buyer and its Subsidiaries (including the Company) on a consolidated basis (a) will be solvent (in that both the fair value of its assets will not be less than the sum of its debts and that the present fair saleable value of its assets will not be less than the amount required to pay its probable liability on its recourse debts as they mature or become due), (b) will have adequate capital and liquidity with which to engage in its business and (c) will not have incurred debts beyond its ability to pay as they mature or become due.

4.9 **Brokerage.** There are no claims for brokerage commissions, finders' fees, financial advisors' fees or similar compensation in connection with the Transactions based on any Contract to which Buyer is a party or that is otherwise binding upon Buyer and no Person is entitled to any fee or commission or like payment in respect thereof.

**ARTICLE V.**  
**PRE-CLOSING COVENANTS**

5.1 **Conduct of Business by the Company.** From the date of this Agreement until the Closing, unless Buyer otherwise agrees in writing, the Company will (a) conduct its businesses and operations in the Ordinary Course of Business; (b) preserve intact its corporate existence and business organization; (c) use its commercially reasonable efforts to preserve the goodwill and present business relationships (contractual or otherwise) with all customers, suppliers, resellers, employees, therapists, licensors, distributors and others having business relationships with it; (d) use its commercially reasonable efforts to preserve and maintain in all material respects its present properties and its tangible and intangible assets in the same condition as existing on the date of this Agreement; (e) comply in all material respects with all Laws and Material Contracts; (f) preserve and maintain all its Permits; and (g) not take or permit any action that would cause any of the changes, events, or conditions described in **Section 2.8** to occur.

5.2 **Access to Information.** From the date of this Agreement until the Closing, Sellers will, and will cause the Company to, provide Buyer and its Affiliates, counsel, financial advisors, auditors, employees, agents and other representatives, and its financing sources and their representatives, access on reasonable notice during normal business hours to all properties, facilities and offices and true and correct copies of books, records, Tax Returns, commitments and Contracts (including customer and supplier Contracts and such financial and operating data and other information with respect to the Company as such Persons may reasonably request).

5.3 **Consents.** From the date of this Agreement until the Closing, Sellers will, and will cause the Company to, use commercially reasonable efforts to obtain all authorizations, consents and approvals of, and give all notices to be obtained or given in connection with the Transactions to all third parties set forth in **Schedule 1.5(c)(1)**.

5.4 **Exclusivity.**

(a) From the date of this Agreement until the Closing or termination under **ARTICLE X**, the Company and the officers, directors, managers, employees, members, stockholders, representatives, agents, investment bankers and Affiliates of the Company, including the Affiliated Practices (collectively, the “**Representatives**”), agree not to, directly or indirectly, pursue, solicit, initiate, facilitate, encourage, continue inquiries, provide information or otherwise enter into any agreements, discussions or negotiations or other arrangements regarding or which could lead to, a possible sale or other disposition (whether by merger, reorganization, recapitalization, liquidation or otherwise) of all or any part of the Equity Interests or any significant portion of the assets of any Company Entity with any other Person other than Buyer or its Affiliates (an “**Acquisition Proposal**”) or provide any information to any Person other than Buyer and its Affiliates, representatives, agents and lenders other than as required by Law or information which is traditionally provided in the regular course of the Company Entities’ business operations to third parties. Sellers shall immediately cease and cause to be terminated, and shall cause its Affiliates (including the Company and the Affiliated Practices) and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons (other than Buyer and its representatives) conducted heretofore with respect to, or that could lead to, an Acquisition Proposal.

(b) Promptly following the date of this Agreement, Sellers’ Representative will, or will cause the Company and its Affiliates to, request that (i) all Evaluation Material (as defined in the Confidentiality Agreement) previously disclosed to any other Person in connection with the sale process of the Company be destroyed or returned to Sellers’ Representative; (ii) all notes, abstracts and other documents that contain Confidential Information be destroyed; and (iii) the receiving party of such Confidential Information provide Sellers’ Representative a written certification of an officer of the receiving party that the foregoing clauses (i) and (ii) have been satisfied.

(c) In addition to the other obligations under this **Section 5.4**, during the period from the date hereof through the Closing Date or the earlier termination of this Agreement pursuant to **ARTICLE X**, Sellers shall promptly (and in any event within three (3) Business Days after receipt thereof by Sellers, the Company or their Representatives) advise Buyer orally and in writing of any Acquisition Proposal, including any request for information with respect to any Acquisition Proposal, or any inquiry with respect to an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(d) Sellers agree that the rights and remedies for noncompliance with this **Section 5.4** may include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach may cause irreparable injury to Buyer and that money damages may not provide an adequate remedy to Buyer.

5.5 **Efforts; Cooperation.**

(a) Unless a different or higher standard is expressly required by this Agreement, the parties hereto agree to use their commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under Laws, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of the Transaction Agreements to which it is a party and consummate and make effective the Transactions. Each party hereto also agrees to use commercially reasonable efforts to cooperate with the other parties hereto and their employees, attorneys, accountants and other agents and, generally, do such other acts and things in good faith as may be reasonable to timely effectuate the purposes of this Agreement and the consummation of the Transactions.

5.6 **Post-Closing Employee Matters.**

(a) For a period of not less than twelve (12) months following the Closing Date (or the applicable employee's period of employment, if shorter), for each employee of the Company who was employed immediately prior to the Closing (including employees who were full-time, part-time, temporary, on vacation or not actively at work on account of vacation, illness, disability or leave of absence) and who remain so employed immediately after the Closing (each a "**Continuing Employee**"), Buyer shall (or shall cause its Subsidiaries or Affiliates to) cause each Company Entity, as applicable, to provide the same level and amount of base salary or wages (as applicable) and commission opportunities as in effect as of immediately prior to the Closing.

(b) For purposes of eligibility, vesting, benefit accruals and level of paid time off benefits under the employee benefit plans of Buyer (the "**Buyer Plans**"), Buyer shall, or shall cause the Company or one of its Affiliates to, credit each Continuing Employee with his or her years of service with the Company that such Continuing Employee was entitled immediately prior to the Closing under any similar Benefit Plan to the extent permitted by the applicable Buyer Plan; *provided, however*, such credit of years of service shall not be given to the extent that (i) such credit would result in a duplication of benefits or (ii) such service was not recognized under the corresponding Benefit Plan. Buyer shall, or shall cause the Company or one of its Affiliates to, for twelve (12) months following the Closing Date (or if earlier, the date of the Continuing Employee's termination of employment with Buyer and its Affiliates, including the Company) (the "**Benefits Period**"), provide or make available to each Continuing Employee employee benefits that are substantially similar in the aggregate to those provided to such Continuing Employees immediately prior to the Closing Date.

(c) This **Section 5.6** shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this **Section 5.6**, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this **Section 5.6**. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The parties hereto acknowledge and agree that the terms set forth in this **Section 5.6** shall not create any right in any Continuing Employee or any other Person to any continued employment with the Company Entities, Buyer or any of their respective Affiliates or compensation or benefits of any nature or kind whatsoever.

**ARTICLE VI.**  
**ADDITIONAL AGREEMENTS**

6.1 **Release by Sellers.**

(a) Each of Mayrsohn and Glasser, on behalf of itself and each of its Affiliates (individually, a "**Releasing Party**" and collectively, "**Releasing Parties**"), releases and forever discharges the Company and each of its officers, directors, managers and employees in their capacities as such (individually, a "**Released Party**" and collectively, "**Released Parties**") from any and all demands, claims, actions, investigations, legal proceedings (whether at law or in equity), arbitrations, judgments, liabilities, amounts paid in settlement, damages, fines, penalties, deficiencies, losses and expenses (including interest, court costs, reasonable fees of attorneys, accountants and other experts or other reasonable out-of-pocket expenses of litigation or other proceedings or of any claim, default or assessment), whether arising or pleaded in law or in equity, under contract, statute, tort or otherwise and in each case, whether known, unknown, disclosed, undisclosed, matured, unmatured, accrued, unaccrued, asserted, unasserted, liquidated, unliquidated, absolute, contingent, direct, indirect, conditional, unconditional, secured, unsecured, vicarious, derivative, due, joint, several or secondary (collectively "**Seller Release Damages**"), directly or indirectly relating to or involving the Released Parties, which such Releasing Party now has, has ever had or may hereafter have, in its capacity as an owner, against the respective Released Parties arising on or prior to the Closing Date or on account of or arising out of any matter, cause or event occurring prior to the Closing Date (together, the "**Released Claims**"). Each Releasing Party irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Released Party, based upon any matter released hereby.

(b) The releases and discharges contained in **Section 6.1(a)** will be construed as general releases with respect to the Released Claims and each Releasing Party irrevocably waives its respective rights with respect to its Released Claims under any applicable Law that provides that a general release does not extend to Seller Release Damages which a releasing party does not know of, or suspect to exist in its favor, at the time of execution of the release or discharge, which if known would have affected its release agreement with the released party. Each Releasing Party shall not directly or indirectly, assert any claim, or commence, institute or cause to be commenced any action, suit, arbitration or other proceeding against any Released Party based upon or in connection with any Released Claim. **THE RELEASES AND DISCHARGES OF ANY PERSON UNDER THIS SECTION 6.1 SHALL APPLY REGARDLESS OF CAUSE, INCLUDING IF SUCH PERSON WAS JOINTLY, SOLELY OR CONCURRENTLY NEGLIGENT, GROSSLY NEGLIGENT OR OTHERWISE.**

(c) The releases and discharges contained in **Section 6.1(a)** are a complete compromise of rights by each Releasing Party solely with respect to the Released Claims. EACH RELEASING PARTY WAIVES ANY RIGHTS IT MAY HAVE WITH RESPECT TO THE RELEASED CLAIMS BY SUCH PARTY UNDER ANY STATUTE OR COMMON LAW PRINCIPLE THAT WOULD LIMIT THE EFFECT OF THIS RELEASE TO THOSE MATTERS ACTUALLY KNOWN OR SUSPECTED TO EXIST AT THE TIME OF EXECUTION OF THIS RELEASE, OR THAT WOULD OTHERWISE LIMIT THE SCOPE AND BREADTH OF THIS RELEASE IN ANY WAY, AS EACH PARTY INTENDS A FULL AND FINAL REPOSE OF ALL DISPUTES AND POTENTIAL LITIGATION RELATED TO THE RELEASED CLAIMS BY SUCH PARTY.

(d) The parties are entering into the release contemplated by this **Section 6.1** as a commercial accommodation only. Nothing contained in this release will constitute, or will be construed to constitute, an admission of fact, liability or wrongdoing on the part of any party.

(e) In signing this Agreement, each Releasing Party acknowledges and agrees that this release will be effective as a bar to any and all Released Claims of such Releasing Party. In furtherance of the foregoing, each Releasing Party will not commence or voluntarily participate in any claim, action or proceeding with respect to or based upon any Released Claim of such Releasing Party. If any Releasing Party hereafter commences (or voluntarily participates in) any action or proceeding against any Released Party with respect to or based upon any Released Claim of such Releasing Party, then this release shall be deemed breached by such Releasing Party and the affected Released Party shall be entitled to reimbursement from such Releasing Party of its reasonable costs and expenses (including reasonable attorneys' fees and expenses) suffered, sustained or incurred by it in connection with such claim, action or proceeding and shall be fully indemnified by such Releasing Party for such fees and costs. This release may be pleaded by any Released Party as a counterclaim or cross-claim in any such claim, action or proceeding. For the avoidance of doubt, participating in any action or proceeding required by court order, subpoena or applicable Law shall not be considered voluntarily for purposes of this **Section 6.1**.

6.2 **Confidentiality of Terms of Transaction.** Subject to **Section 11.12** and except as otherwise required by Law, each of the parties hereto will keep confidential, and not disclose, the terms and status of this Agreement and the other Transaction Agreements, the Transactions and the identity of the other parties hereto; provided that each of the parties hereto will have the right to communicate and discuss with, and provide to, its respective legal advisors, representatives, officers or employees, directors, managers, consultants and agents, any information regarding the terms and status of this Agreement and the other Transaction Agreements and the Transactions provided such parties agree to restrictions of disclosure and non-use consistent with the restrictions set forth in the Confidentiality Agreement.



6.3 **Disclosure Schedules.**

(a) The Disclosure Schedules will be in writing and will qualify this Agreement.

(b) The inclusion of an item in a Disclosure Schedule as an exception to a representation or warranty will not be deemed an admission by any party hereto, as applicable, that such item constitutes an item, event, circumstance or occurrence that is material to any Company Entity or constitutes a Material Adverse Effect. Any fact or item that is disclosed in any Disclosure Schedule in a way as to make its relevance or applicability to information called for by any other Disclosure Schedule reasonably apparent on the face of such disclosure will be deemed to be disclosed in such other Disclosure Schedule, notwithstanding the omission of a reference or cross-reference thereto. Descriptions of terms or documents summarized in the Disclosure Schedules will be qualified in their entirety by the documents themselves.

(c) From time to time prior to the Closing, the Company and Sellers' Representative (on behalf of Sellers) will have the right to supplement or amend the Disclosure Schedules to this Agreement with respect to any matter arising or discovered after the date hereof which, if existing, occurring or actually known by Sellers as of the date of this Agreement, would have been required to be disclosed in the Disclosure Schedules (each a "**Schedule Supplement**"); **provided** that for purposes of determining the indemnification rights of Buyer set forth in **Section 8.2(a)(1)** or determining accuracy of the representations and warranties of the Company Entities in **ARTICLE II** and of each Seller in **ARTICLE III** for purposes of determining satisfaction of the conditions set forth in **Section 7.1(a)**, except as agreed in writing by Buyer, the Disclosure Schedules delivered by the Company and Sellers or Sellers' Representative will be deemed to include only that information contained therein on the date of this Agreement and will be deemed to exclude any information contained in any Schedule Supplement; **provided, further, however,** that if, as a result of matters disclosed in a Schedule Supplement, Buyer has the right to terminate this Agreement pursuant to **Section 10.1(b)(1)**, but does not elect to terminate within five (5) Business Days of its receipt of such Schedule Supplement, then Buyer shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter and, further, shall have irrevocably waived its right to indemnification under **Article VIII** with respect to such matter.

6.4 **Further Actions.** In case at any time after the Closing any further actions are necessary to carry out the purposes of this Agreement, each party hereto will take such further actions (including the execution and delivery of such further instruments and documents) as any other such party may reasonably request.

6.5 **Cash Sweep.** Prior to the Closing, Sellers shall use commercially reasonable efforts to, in accordance with applicable Law, distribute all Cash of the Company and Company Subsidiaries to the Sellers. From and after the Closing Date, to the extent there were deposits in transit but not yet credited as of 11:59 p.m. (Eastern Standard Time) on the Closing Date (including uncleared checks, drafts and other bank deposits and credit card payments that have been made but have not yet been credited as of 11:59 p.m. (Eastern Standard Time) on the Closing Date, less any amounts on checks or otherwise paid by the Company but not yet cleared), Buyer will cause the Company and Company Subsidiaries to promptly, but in any event within five (5) Business Days following the Closing Date, distribute such amounts to the Sellers in accordance with each Seller's Pro Rata Share.

6.6 **Earn-Out Bonus Payments.** Subject to, and contingent upon, (a) the achievement of the Earn-Out Payment Condition and (b) Bonus Recipient's continued employment with the applicable Company Entity through the Payment Date (defined below), such Bonus Recipient will be entitled to a cash bonus (an "**Earn-Out Bonus**") equal to the product of (i) the amount set forth opposite such Bonus Recipient's name on **Schedule A-6** under the heading "Maximum Earn-Out Bonus" multiplied by (ii) the Earn-Out Payment divided by the Earn-Out Cap. For example, if a Bonus Recipient's Maximum Earn-Out Bonus is \$100,000 and the Earn-Out Payment is \$10,000,000, then such Bonus Recipient's Earn-Out Bonus would be equal to  $\$100,000 * (\$10,000,000 / \$20,000,000)$ , or \$50,000. Within thirty (30) days following the date that the Earn-Out Payment is finally determined pursuant to **Section 1.3**, Buyer shall pay, or cause to be paid, to the Company, by wire transfer of immediately available funds, an amount equal to the sum of (x) the aggregate amount of the Earn-Out Bonuses payable to the Bonus Recipients pursuant to this **Section 6.6** plus (y) the employer portion of any employment or payroll Taxes payable, or any other required withholdings, with respect thereto (collectively, the "**Earn-Out Bonus Amount**"). Promptly following receipt of the Earn-Out Bonus Amount, but in any event within the short-term deferral period under Code Section 409A to the extent necessary to comply with Code Section 409A (such date the Earn-Out Bonus is actually paid, the "**Payment Date**"), Buyer shall cause the Company to pay the Earn-Out Bonuses to the Bonus Recipients, subject to applicable Tax and other withholdings, in a single lump sum in accordance with the Company's standard payroll processes.

**ARTICLE VII.**  
**CONDITIONS**

7.1 **Conditions to Obligation of Buyer.** The obligation of Buyer to consummate the transactions to be performed by Buyer in connection with the Closing is subject to the satisfaction of each of the following conditions as of the Closing:

(a) **Representations and Warranties.** Each of the representations and warranties of the Company Entities and Sellers herein (i) that are not qualified by materiality, Material Adverse Effect or similar phrases will be true and correct in all material respects on and as of the date of this Agreement and on and as of the Closing (except to the extent such representations and warranties address matters as of particular dates, in which case, such representations and warranties will be true and correct in all material respects on and as of such dates); and (ii) that are qualified by materiality, Material Adverse Effect, or similar phrases or that are Fundamental Representations will be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing (except to the extent such representations and warranties address matters as of particular dates, in which case, such representations and warranties will be true and correct in all respects on and as of such dates).

(b) **Performance of Covenants.** Sellers' Representative, Sellers and the Company will have performed and complied in all material respects with all their covenants and agreements required to be performed by them pursuant to the Transaction Agreements prior to the Closing Date.

(c) **No Material Adverse Effect.** Since the date of this Agreement, there will have been no change, event, occurrence or circumstance that has had a Material Adverse Effect on the Business.

(d) **Antitrust Laws.** No Action by any Antitrust Enforcement Authority to enjoin or restrain the Transactions will be pending; and no agreement with or commitment to any Antitrust Enforcement Authority not to consummate the Transactions will be in effect.

(e) **MSO Documents.** Buyer and Sellers' Representative will have mutually agreed upon forms of the MSO Documents.

(f) Proceedings: Orders. (i) No Action will be pending before any Governmental Entity in which it is sought to restrain or prohibit or to obtain material damages or other relief (including rescission) in connection with the Transactions; and (ii) no such Order has been entered and not subsequently dismissed or discharged with prejudice. There will not be in effect any material Order by a Governmental Entity restraining, enjoining or otherwise prohibiting the consummation of the Transactions.

(g) Governmental Approvals. All filings, notices, licenses, permits, approvals or other consents of, to or with, any Governmental Entity, including, without limitation, any state health care transaction approval requirements, that are listed in Schedule 1.5(c)(1) will have been duly made or obtained and will be in full force and effect as of the Closing, each in form and substance reasonably satisfactory to Buyer.

(h) Consents. All filings, notices, licenses, permits, approvals and other consents of, to or with, any Person (other than a Governmental Entity) that are listed in Schedule 1.5(c)(1) will have been duly made or obtained and will be in full force and effect as of the Closing, each in form and substance reasonably satisfactory to Buyer.

(i) Transaction Agreements and Other Agreements. Buyer will have received counterparts to each of the documents and agreements set forth in Section 1.5(c), duly executed by each party other than Buyer or its Affiliates.

(j) Officer's Certificate. Buyer will have received a certificate duly executed by Sellers' Representative, dated as of the Closing, certifying that each of the conditions specified in Sections 7.1(a), 7.1(b) and 7.1(c) have been fully satisfied.

(k) Other Documents. Buyer will have received such other documents or instruments as Buyer may reasonably request or may be required to effect the Transactions.

Buyer may waive any condition specified in this Section 7.1 if it executes a writing so stating at or prior to the Closing.

7.2 Conditions to Obligation of Sellers. The obligation of Sellers to consummate the transactions to be performed by them in connection with the Closing is subject to satisfaction of each of the following conditions as of the Closing:

(a) Representations and Warranties. Each of the representations and warranties of Buyer herein (i) that are not qualified by materiality, material adverse effect or similar phrases will be true and correct in all material respects on and as of the date of this Agreement and on and as of the Closing (except to the extent such representations and warranties address matters as of particular dates, in which case, such representations and warranties will be true and correct in all material respects on and as of such dates); and (ii) that are qualified by materiality, material adverse effect, or similar phrases will be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing (except to the extent such representations and warranties address matters as of particular dates, in which case, such representations and warranties will be true and correct in all respects on and as of such dates).

(b) Performance of Covenants. Buyer will have performed in all material respects all the covenants and agreements required to be performed by it pursuant to the Transaction Agreements on or prior to the Closing Date.

(c) Antitrust Laws. No Action by any Antitrust Enforcement Authority to enjoin or restrain the Transactions will be pending; and no agreement with or commitment to any Antitrust Enforcement Authority not to consummate the Transactions will be in effect.

(d) Governmental Approvals. All filings, notices, licenses, permits, approvals or other consents of, to or with, any Governmental Entity, including without limitation any state health care transaction approval requirements, that are listed in Schedule 1.5(c)(1) will have been duly made or obtained and will be in full force and effect as of the Closing, each in form and substance reasonably satisfactory to Sellers' Representative.

(e) Officer's Certificate. Buyer will have delivered to Sellers' Representative a certificate duly executed by an officer of Buyer, dated as of the Closing, that each of the conditions specified in Sections 7.2(a) and 7.2(b) have been satisfied.

(f) Transaction Agreements and Other Agreements. Sellers' Representative will have received counterparts to each of the documents and agreements set forth in Section 1.5(b), duly executed by each party other than Sellers or the Company.

(g) Other Documents. Sellers' Representative will have received such other documents or instruments as Sellers' Representative may reasonably request or may be required to effect the Transactions.

Sellers' Representative may waive any condition specified in this Section 7.2 if he executes a writing so stating at or prior to the Closing.

## ARTICLE VIII INDEMNIFICATION

### 8.1 Survival Periods.

(a) Subject to the limitations in this ARTICLE VIII, all representations, warranties, covenants and agreements in this Agreement and in any certificate delivered in connection with this Agreement will survive the execution and delivery of this Agreement or any such certificate and the consummation of the Transactions.

(b) Notwithstanding anything herein to the contrary, Sellers will not be liable with respect to any claim for indemnification pursuant to Sections 8.2(a)(1), (2), (5) and (6) and Buyer will not be liable with respect to any claim for indemnification pursuant to Section 8.3(a), unless written notice of such claim is delivered to Sellers' Representative or Buyer, as the case may be, prior to the applicable Survival Date, if any.

(c) For purposes of this Agreement, the term "Survival Date" means October 7, 2028; provided, however, (i) that covenants and agreements will survive the Closing until fully performed or observed in accordance with their terms and the Survival Date will be the date of such performance or observance and (ii) the Survival Date with respect to Fundamental Representations shall be the later of (x) the date that is six (6) years following the Closing Date and (y) the ninetieth (90<sup>th</sup>) day after the expiration of the applicable statute of limitation.

(d) The parties hereto agree that so long as written notice is given on or prior to the Survival Date with respect to such claim, the representations and warranties with respect to such breach will continue to survive until such matter is finally resolved.

8.2 **Indemnification of Buyer Indemnified Parties by Sellers.**

(a) **Indemnification.** Each Seller hereby agrees (i) on a joint and several basis, with respect to all representations in **ARTICLE II**; and (ii) on an individual basis, in accordance with and not to exceed the amount of each Seller's Pro Rata Share, with respect to the representations in **ARTICLE III** and such Seller's individual covenants and agreements herein, to indemnify Buyer and its Affiliates (other than the Company Entities) and each of their respective officers, directors, stockholders, managers, members, partners, employees, agents, representatives, successors and assigns (collectively, the "**Buyer Indemnified Parties**") and hold each of them harmless from and against and pay on behalf of or reimburse any such Buyer Indemnified Party in respect of any Loss which such Buyer Indemnified Party or any Company Entity may suffer, sustain or become subject to, as a result of, arising out of, relating to or in connection with:

(1) the breach or inaccuracy of any representation or warranty of the Company Entities in **ARTICLE II** or in any certificate delivered pursuant to this Agreement or the breach or inaccuracy of any representation or warranty of Sellers in **ARTICLE III**, in each case, without giving effect to any limitation or qualification as to "materiality," "material," "Material Adverse Effect" or similar qualifiers set forth in such representation or warranty for purposes of determining whether there is a breach or of the Losses resulting from, arising out of or relating to such breach;

(2) the breach, non-compliance or non-performance of any covenant, or agreement of the Company or Sellers in this Agreement or in any certificate delivered pursuant to this Agreement, in each case to the extent required to be performed prior to the Closing Date;

(3) except to the extent of the dollar amount taken into account in the calculation of the Adjustment Amount, any of the Indebtedness Amount, and Company Transaction Expenses;

(4) all Seller Taxes;

(5) any and all liabilities and other obligations of any Company Entity to any director, manager, employee or former director, manager or employee of any Company Entity, or any owner or former owner of any Equity Interests (or similar equity rights) in, any of the Company Entities (other than the Historical Earnout/Note Obligation Amount to the extent satisfied from the Historical Obligation Escrow Account), arising from or relating to the periods prior to or on the Closing Date, which for the avoidance of doubt includes any and all liabilities and other obligations to any owner or former owner of such Equity Interests that is in excess of the amount paid to such owner or former owner for such Equity Interests in connection with the transactions contemplated by the Closing; or

(6) (i) any claim or legal action brought against any Company Entity or a Buyer Indemnified Party by an employee, former employee, contractor or former contractor of any Company Entity arising from or relating to any period prior to the Closing, (ii) any overpayment, fine or penalty with respect to any Government Programs or Private Programs relating to services performed by a Company Entity prior to the Closing, (iii) any breach by a Company Entity of any Material Contract occurring prior to the Closing, and (iv) any violations of applicable Laws by any Company Entity arising from or relating to any period prior to the Closing.

(b) **Limitations.**

(1) No amount will be payable to the Buyer Indemnified Parties in satisfaction of claims for indemnification pursuant to **Sections 8.2(a)(1), (2), (5) or (6)** unless (A) the particular Loss suffered by a Buyer Indemnified Parties or a Company Entity, as applicable, exceeds \$10,000 (each such Loss exceeding such threshold, a “**Qualifying Loss**”), and until (B) the aggregate amount of all Losses of the Buyer Indemnified Parties or the Company Entities, as applicable, arising therefrom exceeds \$250,000 (the “**Threshold**”), at which time Sellers will indemnify the Buyer Indemnified Parties for the amount of all such Losses of the Buyer Indemnified Parties or the Company Entities, as applicable, in excess of the Threshold, up to an aggregate amount not to exceed the Indemnity Escrow Amount (the “**Cap**”), other than with respect to Losses arising from Fraud or a breach or inaccuracy of any Fundamental Representation.

(2) The aggregate amount of all Losses that Sellers must indemnify the Buyer Indemnified Parties for, other than any Losses arising from a breach or inaccuracy of any Fundamental Representation or with respect to Fraud, shall not exceed the Cap. The aggregate amount of all Losses that Sellers must indemnify the Buyer Indemnified Parties for any Losses arising from a breach or inaccuracy of any Fundamental Representation, other than with respect to Fraud, shall not exceed the Purchase Price (including any Earn-Out Payment actually earned pursuant to **Section 1.3**).

(3) The aggregate liability of the Sellers for Losses that any Company Entity may suffer, sustain or become subject to, as a result of, arising out of, relating to or in connection with indemnification claims arising out of **Section 8.2(a)** shall be equal to the percentage that Buyer or its Affiliates (other than any Company Entity) own in the Company at the time of such Loss, with such Losses payable by the Sellers to the Buyer or its Affiliates, as applicable, subject to the other limitations included in this **ARTICLE VIII**. To the extent that such Loss is suffered directly by Buyer or its Affiliates (other than any Company Entity), the aggregate liability of the Sellers shall be 100%, subject to the other limitations included in this **ARTICLE VIII**.

8.3 **Indemnification of the Seller Indemnified Parties by Buyer.** Buyer agrees to indemnify Sellers and their respective Affiliates, and each of their respective officers, directors, stockholders, managers, members, partners, employees, agents, representatives, successors and assigns (collectively, the “**Seller Indemnified Parties**”), and hold each of them harmless against the Losses which any of them may suffer, sustain or become subject to, as the result of, arising out of, relating to or in connection with:

(a) the breach or inaccuracy by Buyer of any representation or warranty made by Buyer in this Agreement or in any certificate delivered pursuant to this Agreement, in each case, without giving effect to any limitation or qualification as to “materiality,” “material,” “material adverse effect” or similar qualifiers to similar effect set forth in such representation or warranty for purposes of determining whether there is a breach or of the Losses resulting from, arising out of or relating to such breach; or

(b) the breach, non-compliance or non-performance of any covenant, agreement or obligation of Buyer in this Agreement or in any certificate delivered pursuant to this Agreement.

8.4 **Special Rule for Fraud.** Notwithstanding anything in this **ARTICLE VIII** to the contrary, in the event of any breach of a representation, warranty, covenant or agreement that results from Fraud by or on behalf of the Company (on or prior to the Closing Date) or Sellers in connection with the consummation of the Transactions, then (a) such representation, warranty, covenant or agreement or will survive the execution and delivery of this Agreement and the consummation of the Transactions and will continue in full force and effect for the period of the applicable statute of limitations without regard to any Survival Date; (b) the limitations set forth in this **ARTICLE VIII** will not apply to any Losses that any Buyer Indemnified Party may suffer, sustain or become subject to, as a result of, arising out of, relating to or in connection with any such breach; and (c) none of such Losses will be subject to or will count towards the satisfaction of the Threshold or the Cap.

8.5 **Notice and Defense of Third-Party Claims.**

(a) If a party hereto seeks indemnification under this **ARTICLE VIII** with respect to any action, lawsuit, proceeding, investigation or other claim brought against it by a third party (a "**Third-Party Claim**"), such party (the "**Indemnified Party**") will promptly give written notice to the other party (the "**Indemnifying Party**") after receiving written notice of such Third-Party Claim, describing the Third-Party Claim, the amount thereof (if known and quantifiable), and the basis thereof; provided that any failure to so notify or any delay in notifying the Indemnifying Party will not relieve the Indemnifying Party of its or his obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure or delay.

(b) With respect to any Third-Party Claim which, if adversely determined, would entitle the Indemnified Party to indemnification pursuant to this **ARTICLE VIII**, the Indemnifying Party will be entitled (i) to participate, at its sole cost and expense, in the defense of such Third-Party Claim giving rise to the Indemnified Party's claim for indemnification, or (ii) at its option (subject to the limitations set forth below), to assume control of such defense and appoint lead counsel reasonably acceptable to the Indemnified Party; provided that, as a condition precedent to the Indemnifying Party's right to assume control of such defense, it must first:

(1) notify the Indemnified Party in writing within thirty (30) days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Losses (without any limitations) the Indemnified Party may suffer resulting from, arising out of, relating to, or caused by the Third-Party Claim in accordance with the terms of this Agreement (including the limitations set forth in **Section 8.2(b)**); and

(2) furnish the Indemnified Party with evidence reasonably satisfactory to the Indemnified Party that the Indemnifying Party has sufficient resources to defend such Third-Party Claim and to satisfy its obligations to the Indemnified Parties under this **ARTICLE VIII** in respect of such Third-Party Claim.

(c) Notwithstanding the foregoing, the Indemnifying Party will not have the right to assume control of the defense of a Third-Party Claim which (i) seeks non-monetary relief; or (ii) involves criminal allegations which could result in a felony indictment (each of the foregoing, an "**Exception Claim**").

(d) In the event that the Indemnifying Party fails to elect to assume control of the defense of any Third-Party Claim in the manner set forth in **Section 8.5(b)** or such Third-Party Claim is or at any time becomes, an Exception Claim, the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third-Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith).

(e) If the Indemnifying Party is controlling the defense of any Third-Party Claim in accordance with **Section 8.5(b)**, (i) the Indemnified Party will nonetheless have the right to participate in the defense of such Third-Party Claim giving rise to the Indemnified Party's claim for indemnification at the Indemnified Party's sole cost and expense; and (ii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to or cease to defend such Third-Party Claim without the prior written consent of the Indemnified Party (such consent not to be unreasonably withheld, conditioned, or delayed); provided that the Indemnified Party will have no obligation of any kind to consent to the entrance of any judgment or into any settlement unless such judgment or settlement (A) is for only money damages, the full amount of which will be paid by or on behalf of the Indemnifying Party, and (B) includes, as a condition thereof, an express, unconditional release of the Indemnified Party from any Liability or obligation with respect to such Third-Party Claim.

(f) Irrespective of which party controls the defense of any Third-Party Claim, the other parties to this Agreement will, and will cause any non-party Affiliate to, cooperate with the controlling party in such defense and make available to the controlling party all witnesses, pertinent records, materials and information in such non-controlling party's possession or under its control relating thereto as is reasonably required by the controlling party. The parties agree that all communications between any party and counsel responsible for or participating in the defense of any Third-Party Claim will, to the extent possible, be made in a manner to preserve any applicable attorney-client or work-product privilege.

8.6 **Notice of Direct Claims.** If an Indemnified Party seeks indemnification under this **ARTICLE VIII** with respect to any matter which does not involve a Third-Party Claim (a "**Direct Claim**"), the Indemnified Party will give written notice to the Indemnifying Party promptly, but in any event within five (5) Business Days, after discovering the liability, obligation or facts giving rise to such claim for indemnification, describing the nature of the claim in reasonable detail, the amount thereof (if known and quantifiable), and the basis thereof; provided that any failure to so notify or any delay in notifying the Indemnifying Party will not relieve the Indemnifying Party of its or his obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure or delay. The Indemnifying Party will have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such thirty (30)-day period, the Indemnifying Party will be deemed to have agreed to such claim. If the Indemnifying Party has delivered an indemnity dispute notice to the Indemnified Party regarding the Direct Claim, then the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution to such dispute. If the Indemnifying Party and the Indemnified Party cannot resolve such dispute within thirty (30) days after delivery of the indemnity dispute notice, such dispute will be resolved in accordance with **Section 11.7**.

8.7 **Manner of Payment.** Any indemnification payment pursuant to this **ARTICLE VIII** will be effected by wire transfer of immediately available funds to an account designated by the Indemnified Party within five (5) Business Days after the determination of the amount thereof, whether pursuant to a final judgment, settlement or agreement among the parties hereto; provided that, with respect to all or any portion of any indemnification payment to be made to any Buyer Indemnified Party through funds that remain available of the Indemnity Escrow Amount in the Indemnity Escrow Account, Sellers' Representative and Buyer will, within five (5) Business Days after the determination of the amount thereof, deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to release the appropriate portion of the Indemnity Escrow Amount to an account designated by Buyer. In the event that an indemnification payment is due to Buyer in respect of Fraud or a breach or misrepresentation of a Fundamental Representation, Buyer shall be entitled to withhold and set off against any amount otherwise due to be paid pursuant to **Section 1.3** the amount of such indemnification payment.

8.8 **Mitigation.**

(a) The parties hereto will cooperate with each other to resolve any claim or liability with respect to which an Indemnified Party is entitled to indemnification hereunder, including by using or requiring the applicable Indemnified Parties use their respective reasonable best efforts to mitigate or resolve any such claim or liability upon and after becoming aware of any event or condition which could reasonably be expected to give rise to any Losses that are indemnifiable hereunder.



(b) Without limiting the foregoing, each party hereto will use efforts to address any claims or Liabilities that may provide a basis for an indemnifiable claim such that each party hereto will respond to any claims or Liabilities in the same manner it would respond to such claims or Liabilities in the absence of the indemnification provisions of this Agreement.

8.9 **Determination of Loss Amount.**

(a) Any indemnifiable claim with respect to any breach or nonperformance by any party hereto of a representation, warranty, covenant or agreement will be limited to the amount of indemnifiable Losses actually that the Indemnified Party sustains and incurs by reason of such breach or nonperformance (and no Indemnified Party will be entitled to receive an indemnification payment in respect of any contingent liability unless and until such liability becomes due and payable), net of any insurance proceeds that are actually realized (but reduced by any corresponding increase in premiums or deductible), and amounts actually recovered from third parties pursuant to insurance policies, indemnities, reimbursement arrangements or Contracts pursuant to which or under which such Indemnified Party or its Affiliates is a party or has rights ("**Alternative Arrangements**").

(b) If an inaccuracy in any of the representations and warranties made by the Company or Sellers or a breach of any covenants or agreements of the Company or Sellers gives rise to an adjustment to the Estimated Base Purchase Price or the Base Purchase Price (i.e., it is incorporated into the payment(s) made in accordance with **ARTICLE I**), then such inaccuracy or breach will not give rise to an indemnification obligation under **ARTICLE VIII**.

(c) If Sellers' Representative is conducting any defense against a Third-Party Claim for which a Buyer Indemnified Party has sought indemnification pursuant to **Section 8.2(a)**, and Sellers' Representative proposes to settle or compromise such Third-Party Claim (i) for only money damages, the full amount of which will be paid by or on behalf of Sellers, and (ii) which settlement or compromise includes, as a condition thereof, an express, unconditional release of the Buyer Indemnified Party from any Liability or obligation with respect to such Third-Party Claim, and the Buyer Indemnified Party withholds its consent to such settlement or compromise, Sellers' liability in connection with such Third-Party Claim will be limited to the amount of such proposed settlement or compromise (or the amount remaining of the Indemnity Escrow Amount in the Indemnity Escrow Account, if less).

(d) The parties hereto intend that fees, costs and expenses, including reasonable attorneys' fees and court costs incurred by a party who brings an action to enforce this Agreement or due to a breach of this Agreement, be included as Losses.

8.10 **Reimbursement.** If an Indemnified Party recovers an amount from a third party (including pursuant to an Alternative Arrangement) in respect of a Loss that is the subject of indemnification hereunder after all or a portion of such Loss will be paid by or at the direction of the Indemnifying Party pursuant to this **ARTICLE VIII**, the Indemnified Party will promptly remit to the Indemnifying Party the excess, if any, of (a) the amount paid by or at the direction of the Indemnifying Party in respect of such Loss, plus the amount received from the third party in respect thereof; less (b) the full amount of such Loss.

8.11 **Release of Indemnity Escrow Amount.**

(a) Promptly following the second (2<sup>nd</sup>) anniversary of the Closing Date, Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to release an amount equal to, if greater than zero (such amount, the "**Release Amount**"), (x) the remaining balance of the Indemnity Escrow Account **minus** (y) \$2,000,000.00, to Sellers by wire transfer to the account designated in writing by Sellers; **provided**, in the event that any Buyer Indemnified Party has made any claims for Losses pursuant to this **Article VIII** suffered or sustained by such Buyer Indemnified Party or any Company Entity that have not been finally resolved pursuant to this **Article VIII** as of such date and the aggregate amount of Losses incurred or reasonably expected to be incurred in connection with such outstanding indemnification claims (the "**Claim Amount**") exceeds \$2,000,000.00, then on such date, (a) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to have the Escrow Agent pay to Sellers an amount, if any, equal to the Release Amount less the Claim Amount, and (b) the portion of the Indemnity Escrow Amount equal to the Claim Amount will remain held by the Escrow Agent pending the resolution of such outstanding indemnification claims. Upon resolution of such outstanding indemnification claims, either by mutual agreement of the Buyer and Sellers' Representative or pursuant to a final Order, (i) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to release to Buyer or the applicable Buyer Indemnified Party any portion of the Claim Amount which Buyer or such Buyer Indemnified Party, as applicable, is entitled to receive as a result of the resolution of such outstanding indemnification claims by a payment from the Indemnity Escrow Account and (ii) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to pay to Sellers an amount equal to any remaining balance of the Claim Amount.

(b) Promptly following the fourth (4<sup>th</sup>) anniversary of the Closing Date, Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to release the remaining balance of the Indemnity Escrow Account, if any, to Sellers by wire transfer to the account designated in writing by Sellers; **provided**, in the event that any Buyer Indemnified Party has made any claims for Losses pursuant to this **Article VIII** suffered or sustained by such Buyer Indemnified Party or any Company Entity and such indemnification claims have not been finally resolved pursuant to this **Article VIII** as of such date, then on such date, (a) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to have the Escrow Agent pay to Sellers an amount, if any, equal to the remaining balance of the Indemnity Escrow Account less the aggregate amount of Losses incurred or reasonably expected to be incurred in connection with such outstanding indemnification claims (the "**Final Claim Amount**"), and (b) the portion of the Indemnity Escrow Amount equal to the Final Claim Amount will remain held by the Escrow Agent pending the resolution of such outstanding indemnification claims. Upon resolution of such outstanding indemnification claims, either by mutual agreement of Buyer and Sellers' Representative or pursuant to a final Order, (i) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to release to Buyer or the applicable Buyer Indemnified Party any portion of the Final Claim Amount which Buyer or such Buyer Indemnified Party, as applicable, is entitled to receive as a result of the resolution of such outstanding indemnification claims by a payment from the Indemnity Escrow Account and (ii) Buyer and the Sellers' Representative, on behalf of Sellers, will execute a joint instruction to pay to Sellers an amount equal to any remaining balance of the Indemnity Escrow Account.

8.12 **Exclusive Remedy.** The parties hereto agree that, from and after the date hereof, the indemnification provisions set forth in this **ARTICLE VIII** are the exclusive provisions in this Agreement with respect to the liability of Sellers or Buyer for the breach, inaccuracy or nonfulfillment of any representation or warranty or any covenants, agreements or other obligations in this Agreement and the sole remedy of the Buyer Indemnified Parties and the Seller Indemnified Parties for any claims for breach of representation or warranty or covenants, agreements or other pre-Closing obligations arising out of this Agreement or any Law or legal theory applicable thereto; **provided** that nothing herein will preclude any party from (a) seeking any remedy based upon Fraud by any other party hereto; or (b) enforcing its right to specific performance under the Non-Competition Agreement or of post-Closing covenants, agreements or other post-Closing obligations pursuant to **Section 11.11**.

8.13 **Adjustment to Purchase Price.** The parties hereto agree to treat any indemnification payment received pursuant to this Agreement for all Tax purposes as an adjustment to the Purchase Price to the extent permitted by Law.

8.14 **Non-Reliance.** Buyer acknowledges that (a) except as expressly set forth in this Agreement, no party has made or is making any representations or warranties, express or implied, regarding Sellers, the Company Entities or the subject matter of this Agreement; (b) except as expressly set forth in **ARTICLE II** and **ARTICLE III**, Sellers have not made and are not making any representations or warranties, express or implied, regarding Sellers, the Company Entities or the subject matter of this Agreement; and (c) except as expressly set forth in **ARTICLE II** and **ARTICLE III**, Buyer is not relying and has not relied on any representations or warranties, express or implied, regarding Sellers, the Company Entities or the subject matter of this Agreement. Further, in entering this Agreement, Buyer is only relying upon the representations and warranties expressly set forth in **ARTICLE II** and **ARTICLE III**, and Sellers will have no legal liability for any representations, warranties, or omissions except as expressly set forth in **ARTICLE II** and **ARTICLE III**.

**ARTICLE IX.**  
**TAX MATTERS**

9.1 **Tax Treatment of Purchase of Transferred Interests.**

(a) The parties acknowledge and agree to treat the transactions described in the Agreement for U.S. federal and applicable state and local income Tax purposes as follows (the "**Intended Tax Treatment**"): as a purchase of partnership interests governed by Section 1001 of the Code, in each case, except to the extent otherwise required by Law.

(b) Except to the extent required by a final "determination" within the meaning of 1313(a) of the Code, the parties hereto will (i) file all Tax Returns in a manner consistent with such Intended Tax Treatment and (ii) not take or permit others to take on its behalf any position, whether in connection with a Tax audit, a Tax Return, or otherwise, that is inconsistent with the Intended Tax Treatment.

9.2 **Allocation of Purchase Price.** Within ninety (90) Business Days after the final determination of the Adjustment Amount, the Buyer will prepare and deliver to Sellers' Representative a draft schedule (the "**Draft Allocation Schedule**") allocating the Purchase Price (plus any Liabilities deemed assumed and other relevant items, in each case, treated as consideration for U.S. federal income Tax purposes) among the assets of the Company, which will be prepared in accordance with the Intended Tax Treatment and Section 1060 of the Code and the regulations promulgated thereunder and any similar provision of applicable Tax Law. No later than thirty (30) days following Sellers' Representative's receipt of the Draft Allocation Schedule, the Sellers' Representative will deliver written comments to the Draft Allocation Schedule to the Buyer (the "**Allocation Schedule Comments**"), and the Buyer will consider all comments reasonably requested by the Sellers' Representative. To the extent Buyer determines in good faith that it does not intend to revise the Draft Allocation Schedule to address an item set forth in the Allocation Schedule Comments, Buyer and the Sellers' Representative will, for a period of ten (10) days following the Sellers' Representative's delivery of the Allocation Schedule Comments, negotiate in good faith to resolve such disputed items. If Buyer and the Sellers' Representative are, at the end of such ten (10) day period, unable to resolve all of the disputed items with respect to the Allocation Schedule Comments, the disputed items will be submitted to the Accounting Firm for resolution (with the cost of fees to be paid to the Accounting Firm to be paid in equal shares by Buyer and Sellers). The Accounting Firm will not be permitted to make any other changes to the Draft Allocation Schedule other than those set forth in the Allocation Schedule Comments that are unresolved disputed items, and the Accounting Firm's resolution of the unresolved disputed items will be binding on the parties. Once all disputed items, if any, are resolved, the Buyer will revise the Draft Allocation Schedule to reflect the resolved changes in accordance with this **Section 9.2** (the "**Allocation Schedule**") and deliver it to the Sellers' Representative. The parties agree to update the Allocation Schedule from time-to-time to the extent that there are any adjustments made to the Purchase Price pursuant to the provision of this Agreement; provided, that any such updates to the Allocation Schedule will be made on a basis consistent with that utilized in determining the Allocation Schedule, as finalized pursuant to this **Section 9.2**. Except to the extent required by a final "determination" within the meaning of 1313(a) of the Code, the parties hereto will (i) file all Tax Returns in a manner consistent with such Allocation Schedule (as adjusted as necessary to reflect adjustments to the Purchase Price) and (ii) not take any position in any Action relating to Taxes that is inconsistent with such Allocation Schedule. Notwithstanding anything in this **Section 9.2** to the contrary, the Draft Allocation Schedule, the Allocation Schedule and any adjustments thereto as contemplated herein shall be consistent with the principles set forth on **Schedule 9.2** (the "**Allocation Methodology**"). Buyer and Sellers' Representative shall mutually agree on the Allocation Methodology and attach such Allocation Methodology as Schedule 9.2 to this Agreement as soon as reasonably practicable following the date hereof, but in any event prior to the Closing.

9.3 **Tax Return Preparation.**

(a) The Sellers' Representative, at the expense of Sellers, will prepare and file, or cause to be prepared and filed, all income Tax Returns required to be filed by the Company Entities (taking into account any applicable extensions) for any Tax period ending on or prior to the Closing Date ("**Seller Prepared Returns**"). All such Seller Prepared Returns will be prepared in accordance with past practice, except as otherwise required by applicable Law. With respect to any Seller Prepared Return due on or after the Closing Date, the Sellers' Representative will provide a draft copy of same to Buyer at least 30 days prior to the due date thereof (taking into account any applicable extensions), and incorporate any reasonable comments provided by Buyer at least 15 days prior to the due date thereof (taking into account any applicable extensions). To the extent disputes arise with respect to same, and Buyer and the Sellers' Representative have not been able to resolve, in writing, any and all such disputes before the end of such 15 day period, Buyer and the Sellers' Representative will submit to the Accounting Firm for review and resolution the issues underlying such Seller Prepared Returns in accordance with the procedures outlined in Section 1.6(f) applied on a *mutatis mutandis* basis. The resolution, as finally determined by the Accounting Firm, will be binding on the parties hereto and the Buyer Prepared Returns will be filed reflecting the Accounting Firm's resolution.

(b) The Sellers' Representative, at the expense of Sellers, will also prepare and file, or cause to be prepared and filed, all Tax Returns required to be filed by the Company Entities (taking into account any applicable extensions) for any Tax period ending on or prior to the Closing Date that are not Seller Prepared Returns and that are due on or before the Closing Date.

(c) Buyer will prepare and file, or cause to be prepared and filed, all Tax Returns of the Company Entities (i) for any Tax period ending on or prior to the Closing Date (the "**Pre-Closing Period**") that are due after the Closing Date; and (ii) for any Tax periods which begin on or before the Closing Date and end after the Closing Date (the "**Straddle Period**"), in each case, that are not Seller Prepared Returns ("**Buyer Prepared Returns**"). All such Buyer Prepared Returns will be prepared in accordance with past practice, except as otherwise required by applicable Law. At least 30 days prior to the due date of any Buyer Prepared Return, Buyer will provide a draft of such Buyer Prepared Return to the Sellers' Representative for the Sellers' Representative's review and comment. With respect to any such Buyer Prepared Return provided to the Sellers' Representative, the Sellers' Representative will have the right to review and approve any such Buyer Prepared Returns during the 15-day period (or shorter, as applicable) following the receipt of such Buyer Prepared Returns, which approval will not be unreasonably withheld, conditioned or delayed. Buyer will incorporate any reasonable comments made by the Sellers' Representative in the Buyer Prepared Return. If at the end of such 15-day period (or shorter, as applicable) Buyer and the Sellers' Representative have not been able to resolve, in writing, all differences that they may have with respect to any matter in such Buyer Prepared Returns, Buyer and the Sellers' Representative will submit to the Accounting Firm for review and resolution such Buyer Prepared Returns in accordance with the procedures outlined in **Section 1.6(f)** applied on a *mutatis mutandis* basis. The resolution, as finally determined by the Accounting Firm, will be binding on the parties hereto and the Buyer Prepared Returns will be filed reflecting the Accounting Firm's resolution.

9.4 **Straddle Period Taxes.** In the case of any Straddle Period, Taxes of the Company Entities or with respect to their assets or operations that shall be allocatable to Sellers is (a) in the case of any Taxes based on or measured by gross or net income or gross or net receipts, otherwise imposed on a transactional basis, or based on payroll, will be determined based on an interim closing of the books of the Company Entities as of the end of the Closing Date; provided that, any deductions for Taxes attributable to the payment of Company Transaction Expenses (to the extent economically borne by Sellers) will be allocated to the Sellers to the extent permitted under applicable Law, and (b) in the case of any other Taxes, will be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction (i) the numerator of which is the number of days in the Straddle Period ending on and including the Closing Date and (ii) the denominator of which is the number of days in the entire Straddle Period.

9.5 **Cooperation.** Buyer and Sellers' Representative will cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns and any audit, litigation or other Action with respect to Taxes. Buyer and Sellers' Representative further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any Governmental Entity or any other Person as may be necessary to mitigate or reduce or eliminate any Tax that could be imposed (including with respect to the Transactions).

9.6 **Controversies.** Notwithstanding **Section 8.5**, this **Section 9.6** will control any inquiries, assessments, proceedings or similar actions by a Taxing Authority with respect to Taxes of the Company or any other Company Entity for the Pre-Closing Periods ("**Tax Matters**"). Buyer will promptly notify Sellers' Representative upon receipt by the Company of any notice of any Tax Matter from any Taxing Authority. Sellers' Representative will, at Sellers' expense, assume the defense of any Tax Matter. Buyer will have the right (but not the duty) to participate in the defense of such Tax Matter and to employ counsel, solely at its own expense, separate from the counsel employed by Sellers' Representative. Sellers will not enter into any settlement of or otherwise compromise any such Tax Matter to the extent that it adversely affects the Tax liability of Buyer, the Company or any Affiliate of the foregoing without the prior written consent of Buyer, which consent will not be unreasonably conditioned, withheld or delayed. Sellers' Representative will keep Buyer fully informed with respect to the commencement, status and nature of any Tax Matter, and will, in good faith, allow Buyer to consult with Sellers' Representative regarding the conduct of or positions taken in any such proceeding.

9.7 **Amendment, Elections, Etc.** Buyer will not, and will cause the Company to not, file an election to change the Tax classification of the Company with an effective date on or prior to the Closing Date. Without the consent of the Sellers' Representative, unless required by applicable Law, Buyer will not, and will cause the Company not to, (a) file any Tax Return or any amended Tax Return for the Company with respect to any Pre-Closing Period or Straddle Period (in the case of a Straddle Period, to the extent relating to the portion thereof through the Closing Date); (b) voluntarily initiate any discussions with a Taxing Authority with respect to Taxes or Tax Returns for the Company with respect to any Pre-Closing Period; or (c) make any Tax election or take any position for Tax purposes which would increase the amount of Taxes for which any Seller is responsible whether pursuant to this Agreement or otherwise.

9.8 **Transfer Taxes.** Buyer will pay, or cause to be paid, any and all real property transfer tax, stamp tax, equity transfer tax, or other similar Tax, whether imposed on the Company, Sellers or Buyer, as a result of the Transactions (collectively, "**Transfer Taxes**") and will file any Tax Returns required to be filed by Buyer in connection with such Transfer Taxes. Seller Representative will file any Tax Returns required to be filed by Seller in connection with such Transfer Taxes. Sellers agree to cooperate with Buyer, and Buyer with Sellers, in connection with the filing of any Tax Returns with respect to any Transfer Taxes, including promptly supplying any information in their possession that is reasonably necessary to complete such returns and the payment of such amounts due under this **Section 9.8**.

9.9 **Section 754 Election.** Sellers acknowledge and agree that Buyer may, and may cause the Company and any other Company Entity that is a partnership for federal income tax purposes to, file an election under Section 754 of the Code with respect to the tax period covering this Agreement and the transactions contemplated herein, and Sellers will join in any such election to the extent necessary or helpful.

9.10 **Opening Capital Account Balances.** Sellers and Buyer acknowledge and agree that, immediately after the transactions contemplated herein, for federal income tax purposes, and for purposes of any state and local Taxes that follow federal income tax principles, Buyer's capital account balance in respect of the Company will be 50% of the sum of such capital account balance and the total capital account balances of Sellers.

**ARTICLE X.**  
**TERMINATION**

10.1 **Termination.** Without prejudice to other remedies which may be available to the parties pursuant to this Agreement, this Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing:

(a) **Mutual Consent.** By mutual written consent of Buyer and Sellers' Representative;

(b) **Breach of Representations, Warranties, Covenants or Agreements.**

(1) By Buyer upon delivery of written notice to Sellers' Representative, if there has been a breach of any representation, warranty, covenant or agreement made by Sellers or the Company in this Agreement, which breach (x) would give rise to the failure of a condition set forth in **Section 7.1**, and (y) (A) cannot be cured by the End Date or (B) if capable of being cured, will not have been cured by the date that is three (3) Business Days prior to the End Date; **provided** that Buyer is not entitled to terminate this Agreement pursuant to this **Section 10.1(b)(1)** if Buyer is in material breach of any of its representations, warranties, covenants or agreements in this Agreement; or

(2) By Sellers' Representative upon delivery of written notice to Buyer, if there has been a breach of any representation, warranty, covenant or agreement made by Buyer in this Agreement, which breach (x) would give rise to the failure of a condition set forth in **Section 7.2** and (y) (A) cannot be cured prior to the End Date or (B) if capable of being cured, will not have been cured by the date that is three (3) Business Days prior to the End Date; **provided** that none of Sellers or Sellers' Representative is entitled to terminate this Agreement pursuant to this **Section 10.1(b)(2)** if any of Sellers or the Company is in material breach of any of its representations, warranties, covenants or agreements in this Agreement;

(c) **End Date.** By either Buyer or Sellers' Representative upon delivery of written notice to the other if the Closing has not occurred on or before 5:00 p.m. (Eastern Standard Time) on December 31, 2024 (the "**End Date**"); **provided** that neither Buyer nor Sellers' Representative will be entitled to terminate this Agreement pursuant to this **Section 10.1(e)** if such Person's (or, in the case of the Company's or any Seller's) material breach of, or material failure to fulfill any obligation under, this Agreement has been the principal cause of the failure of the Closing to occur on or prior to such time on the End Date; or

(d) **Orders; Laws.** By either Buyer or Sellers' Representative upon delivery of written notice to the other if (i) any Governmental Entity will have issued or entered any Order (other than an Order from an Antitrust Enforcement Authority) or (ii) any Governmental Entity will have enacted any Law or taken any other action which, in any such case of clauses (i) and (ii): would permanently restrain, enjoin or otherwise prohibit the consummation of all or any of the Transactions; **provided** that neither Buyer nor Sellers' Representative will be entitled to terminate this Agreement pursuant to this **Section 10.1(d)** if (x) the issuance or entry of such judgment, Order or decree is the principal result of such Person's (or, in the case of the Company's or any Seller's) material breach of, or material failure to fulfill any obligation under, this Agreement or any other Transaction Agreement or (y) such Person (or, in the case of the Company or any Seller) will have materially breached its obligations under (and subject to the limitations in) this Agreement to resist, resolve or lift such judgment, Order or decree or Law.

10.2 **Effect of Termination.** Subject to the provisions of this **Section 10.2**, the rights of termination set forth above are in addition to any other rights a terminating party may have under this Agreement or the other Transaction Agreements, and the exercise of a right of termination will not be an election of remedies. Notwithstanding the foregoing sentence, in the event of any termination of this Agreement by Buyer or Sellers' Representative as provided in **Section 10.1**, this Agreement will forthwith become void and there will be no liability or obligation on the part of any party or any of its or their Affiliates to any other Person by virtue of, arising out of or otherwise in connection with this Agreement or any other Transaction Agreement except (i) that nothing in this Agreement or any other Transaction Agreement will relieve any party from any material breach of this Agreement or any other Transaction Agreement prior to such termination or for Fraud; and (ii) the provisions of this **Section 10.2** (Effect of Termination), **Section 6.2** (Confidentiality of Terms of Transaction) and **ARTICLE XI** (Miscellaneous) will remain in full force and effect and survive any termination of this Agreement pursuant to this **ARTICLE X**.

#### **ARTICLE XI** **MISCELLANEOUS**

11.1 **No Third-Party Beneficiaries.** The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto, such parties' respective permitted successors, assigns or delegates, and (a) solely as to **ARTICLE VIII**, any Person that is not a party to this Agreement but, by the terms of **ARTICLE VIII** is entitled to indemnification thereunder and (b) the Company's Counsel, solely relating to its rights under **Section 11.16**, and it is not the intention of the parties hereto to confer, and, this Agreement will not confer, third-party beneficiary rights upon any other Person.

11.2 **Entire Agreement; Amendment.** This Agreement (including the Disclosure Schedules, Exhibits and Schedules hereto), the Transaction Agreements and the Confidentiality Agreement, represent the entire agreement among the parties hereto with respect to the subject matter of this Agreement and this Agreement supersedes all prior or contemporaneous oral or written understandings, negotiations, letters of intent or agreements between the parties hereto other than the Confidentiality Agreement. This **Section 11.2** will be deemed a "merger" clause under Delaware Law, and this Agreement (together with the Transaction Agreements and the Confidentiality Agreement) is intended as a complete integration of the agreement of the parties hereto. No modifications of, amendments to, or waivers of any rights or duties under this Agreement will be valid or enforceable unless and until made in writing and signed by all the parties hereto.

11.3 **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors and permitted assigns and delegates, but neither this Agreement nor any of the rights or obligations hereunder may be assigned (whether by operation of Law, through a change in control or otherwise) by Sellers without the prior written consent of Buyer, or by Buyer without the prior written consent of Sellers' Representative; provided that Buyer and its Affiliates will have the right to assign, without such consent, Buyer's right and obligations hereunder in whole or in part to Buyer's Affiliates or for collateral security purposes to any existing or future lender or group thereof providing financing to Buyer or any of its Affiliates, but in such event, Buyer will be required to remain obligated hereunder in the same manner as if such assignment or delegation had not been effected.

11.4 **Counterparts.** This Agreement may be executed in any number of counterparts, each and all of which will be deemed an original and all of which together will constitute but one and the same instrument. The facsimile or electronic signature of any party to this Agreement or any agreement or certificate delivered in connection with the consummation of the Transactions or a PDF copy of the signature of any party to this Agreement or any agreement or certificate delivered in connection with the consummation of the Transactions delivered by electronic mail for purposes of execution or otherwise, is to be considered to have the same binding effect as the delivery of an original signature on an original contract. The parties expressly agree that DocuSign or a similar product (as agreed to by the parties) may be used as a means to execute this Agreement and other Transaction Agreements.

11.5 **Divisions and Titles.** The divisions of this Agreement into sections and subsections and the use of titles, captions or headings of the Articles and Sections herein are inserted for convenience of reference only and will have no legal effect in construing the provisions of this Agreement.

11.6 **Notices.** Any notice, demand or communication required, permitted, or desired to be given hereunder must be in writing and will be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile transmission, PDF or electronic mail), so long as such telegraphic or other electronic means is accompanied by prompt notice by United States mail, or overnight courier, or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:



if to Sellers' Representative, Sellers or, prior to the Closing, the Company, to:

Michael Mayrsohn  
355 Split Rock Road  
Syosset, NY 11794  
michaelm@metropt.com

with simultaneous copy (which will not constitute notice) to:

Polsinelli PC  
2950 N. Harwood St., Suite 2100  
Dallas, Texas 75201  
Attention: Jonathan K. Henderson

E-mail: [jhenderson@polsinelli.com](mailto:jhenderson@polsinelli.com)

if to Buyer or, after the Closing, Company, to:

U.S. Physical Therapy, Ltd.  
1300 West Sam Houston Parkway South  
Suite 300  
Houston, Texas 77042  
Facsimile No.: (713) 266-0558  
Attention: General Counsel

with simultaneous copy (which will not constitute notice) to:

Porter Hedges LLP  
1000 Main Street, 36<sup>th</sup> Floor  
Houston, Texas 77002  
Attention: Kevin Poli  
E-mail: [kpoli@porterhedges.com](mailto:kpoli@porterhedges.com)

or to such other address, and to the attention of such other person or officer as any party hereto may designate in notice to the other parties hereto.

11.7 **Governing Law; Consent to Jurisdiction.** This Agreement and all disputes or controversies arising out of or relating to this Agreement or the Transactions will be governed by, and construed in accordance with, the internal Laws of the State of Delaware, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of Delaware. All claims, actions and proceedings (whether in contract or tort) based upon, arising out of or relating to this Agreement or the other Transaction Agreements or the negotiation, execution or performance of this Agreement or the other Transaction Agreements (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or the other Transaction Agreements) will be heard and determined in any state or federal court sitting in the County of Wilmington in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction of such courts (and, in the case of appeals, appropriate appellate courts therefrom) in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding, and any judgment of such courts may be enforced in any other jurisdictions by suit on the judgment or by any other manner provided by law. The consents to jurisdiction set forth in this paragraph will not constitute general consents to service of process in the State of Delaware and will have no effect for any purpose except as provided in this **Section 11.7** and will not be deemed to confer rights on any Person other than the parties hereto. The parties hereto agree that a final judgment in any such action or proceeding will be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by Law.

11.8 **WAIVER OF JURY TRIAL.** EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION AGREEMENT OR THE SUBJECT MATTER HEREOF OR THEREOF. EACH PARTY ALSO WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF SUCH PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MIGHT BE FILED IN ANY COURT AND THAT MAY RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT OR ANY TRANSACTION AGREEMENTS, INCLUDING ALL COMMON LAW AND STATUTORY CLAIMS. EACH PARTY FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER WILL APPLY TO ANY SUBSEQUENT AMENDMENTS, MODIFICATIONS, SUPPLEMENTS OR RESTATEMENTS HEREOF. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

11.9 **Waivers.** At any time prior to the Closing, the parties hereto may, subject to and to the extent permitted by Law, waive compliance with any of the agreements or conditions of the other parties hereto contained herein. Any agreement on the part of a party hereto to any such waiver will be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party. No failure or delay of any party hereto in exercising any right or remedy hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power, or operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

11.10 **Extension.** At any time prior to the Closing, the parties hereto may, to the extent permitted by Law, extend the time for the performance of any of the obligations or other acts of the other parties hereto. Any agreement on the part of a party to any such extension will be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

11.11 **Specific Performance.** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties hereto will be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court in accordance with **Section 11.7**, this being in addition to any other remedy to which such party is entitled at law or in equity. Each of the parties hereto hereby further waives (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any Law to post security as a prerequisite to obtaining equitable relief.

11.12 **Press Releases.** Sellers acknowledge that Buyer shall have the right to determine timing and content of all press releases and other public announcements relating to the Transactions, subject to Buyer providing Sellers' Representative with a copy of any such press release or public announcement at least two (2) days prior to it going live to the public, provided that Sellers shall determine the timing and content of announcements made specifically to the Company's and its Affiliates' customers, vendors and employees relating to the Transactions.

11.13 **Expenses.** Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement, the Transaction Agreements and the Transactions, including all fees and expenses of agents, representatives, counsel and accountants.

11.14 **Severability of Provisions.** If any provision of this Agreement is held by a court of competent jurisdiction or other Governmental Entity to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any party under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance here from; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible. Upon such a determination, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the Transactions be consummated as originally contemplated to the fullest extent possible.

11.15 **Construction.**

(a) The parties to this Agreement are each sophisticated and represented by counsel, and this Agreement is the result of equal amount of drafting by all parties hereto. This Agreement will be interpreted in accordance with its plain meaning within its four corners, and no extrinsic evidence will be admissible under any holding of ambiguity. The parties hereto intend that each representation, warranty, covenant and agreement contained herein and in any other Transaction Agreement will have independent significance. If any party hereto has breached any representation, warranty, covenant or agreement contained herein (or is otherwise entitled to indemnification) in any respect, the fact that there exists another representation, warranty, covenant, or agreement (including any indemnification provision) relating to the same subject matter (regardless of the relative levels of specificity) which such party has not breached (or is not otherwise entitled to indemnification with respect thereto) will not detract from or mitigate the fact that such party is in breach of the first representation, warranty, covenant, or agreement (or is otherwise entitled to indemnification pursuant to a different provision).

(b) The Disclosure Schedules and all Exhibits and Schedules attached hereto and referred to herein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein.

11.16 **Representation by Counsel.**

(a) Each party hereto represents and agrees with each other that it has been represented by or had the opportunity to be represented by, independent counsel of its own choosing, and that it has had the full right and opportunity to consult with its respective attorney(s), that to the extent, if any, that it desired, it availed itself of this right and opportunity, that it or its authorized officers (as the case may be) have carefully read and fully understand this Agreement in its entirety and have had it fully explained to them by such party's respective counsel, that each is fully aware of the contents thereof and its meaning, intent and legal effect, and that it or its authorized officer (as the case may be) is competent to execute this Agreement and has executed this Agreement free from coercion, duress or undue influence.

(b) Each of the parties to this Agreement hereby agrees, on its own behalf and on behalf of its representatives, that (i) the Company's Counsel may serve as counsel to each of Sellers' Representative, Sellers, and any Affiliate of Sellers, on the one hand, and the Company, on the other hand, in connection with the negotiation, preparation, execution, and delivery of this Agreement and the consummation of the Transactions; and (ii) following consummation of the Transactions, the Company's Counsel (or any of its successors) may serve as counsel to Sellers' Representative, Sellers, or any of their respective Affiliates or any of their respective representatives, in connection with any Action, claim or obligation arising out of or relating to this Agreement or the Transactions or any other matter, and each of the parties hereto hereby consents thereto and waives any conflict of interest arising therefrom, and each of such parties will cause any representative thereof to consent to waive any conflict of interest arising from such representation.

(c) Each of the parties to this Agreement further agrees to permit (and will take reasonable steps requested by any party hereto at such requesting party's expense so that) any privilege attaching as a result of the services provided by the Company's Counsel as counsel to Sellers' Representative, Sellers (including with respect to information related to the Company), and the Company in connection with the Transactions to survive the Closing and to remain in effect, and such privilege will continue to be controlled solely by Sellers' Representative following the Closing. In addition, if the Transactions are consummated, all the client files and records in the possession of the Company's Counsel related to such Transactions will continue to be property of (and be controlled by) by Sellers' Representative and Sellers, and the Company will not retain any copies of such records or have any access to them.

**11.17 Appointment of Sellers' Representative.**

(a) Sellers hereby irrevocably nominate, constitute, and appoint Sellers' Representative as the initial agent and attorney in fact for and on behalf of Sellers for all purposes under this Agreement, the Transaction Agreements, and the Transactions. Sellers' Representative will act as representative of Sellers for all purposes under this Agreement, the Transaction Agreements, and the Transactions. Sellers' Representative hereby accepts its appointment as such. The power of attorney granted in this **Section 11.17**: (i) is coupled with an interest and is irrevocable; (ii) may be delegated by Sellers' Representative; and (iii) will survive the dissolution, death or incapacity of any of Sellers.

(b) Without limiting the generality of the foregoing, Sellers' Representative has full power and authority, on behalf of each Seller, and their respective successors and assigns, to: (i) interpret the terms and provisions of this Agreement and the Transaction Agreements; (ii) execute and deliver and receive deliveries of all agreements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments, and other documents required or permitted to be given in connection with the consummation of the Transactions; (iii) receive service of process in connection with any claims under this Agreement, the Transaction Agreements, and the Transactions; (iv) agree to, negotiate and enter into settlements and compromises of, assume the defense of claims, and demand arbitration and comply with Orders of courts and awards of arbitrators with respect to such claims, and to take all actions necessary or appropriate in the sole discretion of Sellers' Representative for the accomplishment of the foregoing; (v) give and receive notices and communications; (vi) take all actions necessary or appropriate in the sole discretion of Sellers' Representative on behalf of Sellers in connection with this Agreement, the Transaction Agreements, and the Transactions; (vii) make any determinations and settle any matters in connection with any adjustments to the Estimated Base Purchase Price or the Base Purchase Price; (viii) authorize delivery to any Buyer Indemnified Party of all or any portion of the funds in the Indemnity Escrow Account in satisfaction of claims brought by any Buyer Indemnified Party for Losses or otherwise; (ix) distribute the Indemnity Escrow Amount and any earnings and proceeds thereon; and (x) deduct, hold back, or redirect any funds from the Indemnity Escrow Account or any amount which may be payable to Sellers pursuant to the terms of this Agreement or a Transaction Agreement in order to pay, or establish a reserve for: (A) any amount that may be payable by such Seller hereunder; or (B) any costs, fees, expenses and other liabilities incurred by Sellers' Representative (in its capacity as such) in connection with the performance of its duties or exercise of its rights as described in this Agreement, the Transaction Agreements, or the Transactions.

(c) Buyer may rely exclusively, without independent verification or investigation, upon all decisions, communications or writings made, given or executed by Sellers' Representative in connection with this Agreement, the Transaction Agreements, and the Transactions. Buyer is entitled to deal exclusively with Sellers' Representative on all matters relating to this Agreement, the Transaction Agreements, or the Transactions. Any action taken or not taken or decisions, communications, or writings made, given or executed by Sellers' Representative, for or on behalf of any Seller, will be deemed an action taken or not taken or decisions, communications or writings made, given or executed by such Seller. Any notice or communication delivered by Buyer to Sellers' Representative will be deemed to have been delivered to Sellers. Buyer will be entitled to disregard any decisions, communications, or writings made, given or executed by any Seller in connection with this Agreement, the Transaction Agreements, and the Transactions unless the same is made, given or executed by Sellers' Representative.

(d) In no event will Buyer have any responsibility or liability to any Seller or any other Person for any action or omission of Sellers' Representative or for any act or omission taken or not taken by Buyer in reliance upon the actions taken or not taken or decisions, communications or writings made, given or executed by Sellers' Representative.

(e) Sellers' Representative may resign at any time by written notice to each of Sellers and Buyer. In the event of the resignation of Sellers' Representative, Michael G. Mayrsohn will, as soon as practicable after such resignation, appoint a successor agent for Sellers and, promptly thereafter, will notify Buyer of the identity of such successor. All power, authority, rights, and privileges conferred in this Agreement to Michael G. Mayrsohn as the initial Sellers' Representative (or such other then-current Sellers' Representative as of immediately prior to the applicable resignation) will apply to any successor Sellers' Representative.

(f) All expenses incurred by Sellers' Representative in connection with the performance of its duties as Sellers' Representative will be borne and paid exclusively by Sellers. Without limiting the foregoing, Sellers' Representative will have the right to offset amounts owed to it by Sellers against any payment or payments to be made to Sellers pursuant to this Agreement or the Escrow Agreement.

(g) The limitation of liability and indemnity provisions of this Section 11.17 will survive the termination of this Agreement and the resignation of Sellers' Representative.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**COMPANY:**

**MSO METRO LLC**

By: /s/ Michael G. Mayrsohn

Name: Michael G. Mayrsohn

Its: Manager

[Signature Page to Equity Interest Purchase Agreement]

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**SELLERS:**

/s/ Michael G. Mayrsohn

Michael G. Mayrsohn

/s/ Sherrie L. Glasser-Mayrsohn

Sherrie L. Glasser-Mayrsohn

**THE LAUREN MAYRSOHN 2023 IRREVOCABLE TRUST**

By: /s/ Lauren Mayrsohn a/k/a Lauren Fritschi

Name: Lauren Mayrsohn a/k/a Lauren Fritschi

Title: Trustee

**THE LUCAS MAYRSOHN FAMILY IRREVOCABLE TRUST**

By: /s/ Mitchell Mayrsohn

Name: Mitchell Mayrsohn

Title: Trustee

By: /s/ Lucas Mayrsohn

Name: Lucas Mayrsohn

Title: Trustee

**THE BRIAN MAYRSOHN FAMILY IRREVOCABLE TRUST**

By: /s/ Mitchell Mayrsohn

Name: Mitchell Mayrsohn

Title: Trustee

By: /s/ Brian Mayrsohn

Name: Brian Mayrsohn

Title: Trustee

[Signature Page to Equity Interest Purchase Agreement]

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**SELLERS' REPRESENTATIVE:**

/s/ Michael G. Mayrsohn

Michael G. Mayrsohn

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[Signature Page to Equity Interest Purchase Agreement]

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**BUYER:**

**U.S. PHYSICAL THERAPY, LTD.**

By: /s/ Rick Binstein

Name: Rick Binstein

Its: Executive Vice President and General Counsel

[Signature Page to Equity Interest Purchase Agreement]

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AMENDMENT TO RESTRICTED STOCK AGREEMENTS

This Amendment to Restricted Stock Agreements ("Amendment") is being entered into as of February 25, 2025, by and between U.S. Physical Therapy, Inc., a corporation organized under the laws of the State of Nevada (the "Company"), and \_\_\_\_\_, an employee of the Company ("Grantee").

WHEREAS, the Company previously made grants of Restricted Stock to Grantee pursuant to the U.S. Physical Therapy, Inc. 2003 Stock Incentive Plan, and in connection therewith the Company and Grantee have entered Restricted Stock Agreements described on Attachment 1 hereto (collectively, the "Agreements");

WHEREAS the parties now wish to amend the Agreements to change the quarterly vesting dates set forth in the Agreements, which revised dates will not result in the acceleration of vesting for any such shares granted under the Agreements.

NOW, THEREFORE, pursuant to the Agreements, the parties hereto have agreed to amend the Agreements as follows:

1. Section 2(a) in each of the Agreements is hereby amended to change the quarterly vesting dates for all such shares of Common Stock subject to such vesting provisions as of the date hereof, as follows for each applicable calendar year:
  - Common Stock vesting January 1 in the Agreements hereinafter shall vest on March 6;
  - Common Stock vesting April 1 in the Agreements hereinafter shall vest on May 20;
  - Common Stock vesting July 1 in the Agreements hereinafter shall vest on August 20; and
  - Common Stock vesting October 1 in the Agreements hereinafter shall vest on November 20.
2. All other terms and conditions of the Agreements shall be unaffected by this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the 25th day of February, 2025.

COMPANY:

By: \_\_\_\_\_

GRANTEE:

\_\_\_\_\_

Agreements

- Amended and Restated Restricted Stock Agreement dated May 28, 2024
  - Restricted Stock Agreement dated February 20, 2023
  - Restricted Stock Agreement dated February 22, 2022
-

RESTRICTED STOCK AGREEMENT

THIS RESTATED RESTRICTED STOCK AGREEMENT (this "Agreement") is made and entered into by and between U.S. Physical Therapy, Inc., a corporation organized under the laws of the State of Nevada (the "Company") and \_\_\_\_\_ an employee of the Company ("Grantee") on \_\_\_\_, 2025 (the "Grant Date"), pursuant to the U.S. Physical Therapy, Inc. 2003 Stock Incentive Plan (the "Plan"). The Plan is incorporated by reference herein in its entirety. Capitalized terms not otherwise defined in this agreement shall have the meaning given to such terms in the Plan.

WHEREAS, Grantee is an employee of the Company, and in connection therewith, the Company desires to grant to Grantee \_\_\_\_ shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), subject to the terms and conditions of this Agreement and the Plan, with a view to increasing Grantee's interest in the Company's welfare and growth; and

WHEREAS, Grantee desires to have the opportunity to be a holder of shares of the Common Stock subject to the terms and conditions of this Agreement and the Plan.

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Grant of Common Stock and Administration.** Subject to the restrictions, forfeiture provisions and other terms and conditions set forth herein (i) the Company grants to Grantee \_\_\_\_ shares of Common Stock ("Restricted Shares") (granted per the lapsing schedule described in 2(a) below), and (ii) Grantee shall have and may exercise all rights and privileges of ownership of such shares, including, without limitation, the voting rights of such shares and the right to receive any dividends declared in respect thereof. This Agreement and its grant of Restricted Shares is subject to the terms and conditions of the Plan, and the terms and conditions of the Plan shall control except to the extent otherwise permitted or authorized in the Plan and specifically addressed in this Agreement. The Plan and this Agreement shall be administered by the Committee pursuant to the Plan.

2. **Transfer Restrictions.**

(a) *Generally.* Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, "Transfer") any Restricted Shares. The Transfer restrictions of this Section 2 shall lapse with respect to the \_\_\_\_ Restricted Shares as follows: the Transfer restrictions shall lapse as to \_\_\_\_ shares of the total Restricted Shares on May 20, 2025, as to \_\_\_\_ shares on August 20, 2025, as to \_\_\_\_ shares on November 20, 2025, as to \_\_\_\_ shares on March 6, 2026, and thereafter as to \_\_\_\_ shares on each subsequent May 20, August 20, November 20, and March 6, with the all Transfer restrictions lapsing on the remaining \_\_\_\_ shares as of March 6, 2029. The Restricted Shares as to which such Transfer restrictions do not apply or so lapse are referred to as "Vested Shares."

(b) *Dividends, etc.* If the Company (i) declares a dividend or makes a distribution on Common Stock in shares of Common Stock, (ii) subdivides or reclassifies outstanding shares of Common Stock into a greater number of shares of Common Stock or (iii) combines or reclassifies outstanding shares of Common Stock into a smaller number of shares of Common Stock, then the number of shares of Grantee's Common Stock subject to the transfer restrictions of this Section 2 will be proportionately increased or reduced so as to prevent the enlargement or dilution of Grantee's rights and duties hereunder.

**3. Forfeiture.**

If Grantee's employment with the Company is terminated by the Company or Grantee for any reason, except for death or disability, then Grantee shall immediately forfeit all Restricted Shares which are not Vested Shares. If the Grantee's employment with the Company is terminated due to Grantee's death or disability, then all Restricted Shares shall immediately vest pursuant to the terms of the Plan. Any Restricted Shares forfeited under this Agreement shall automatically revert to the Company and become canceled and such shares shall be again subject to the Plan. Any certificate(s) representing Restricted Shares which include forfeited shares shall only represent that number of Restricted Shares which have not been forfeited hereunder. Upon the Company's request, Grantee agrees for itself and any other holder(s) to tender to the Company any certificate(s) representing Restricted Shares which include forfeited shares for a new certificate representing the unforfeited number of Restricted Shares.

**4. Issuance of Certificate.**

(a) The Restricted Shares may not be Transferred until they become Vested Shares. Further, the Restricted Shares may not be transferred and the Vested Shares may not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws, any rules of the New York Stock Exchange, or violation of Company policy. The Company shall cause to be issued a stock certificate, registered in the name of the Grantee, evidencing the Restricted Shares upon receipt of a stock power duly endorsed in blank with respect to such shares. Each such stock certificate shall bear the following legend:

**THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS (INCLUDING FORFEITURE AND RESTRICTIONS AGAINST TRANSFER) CONTAINED IN THE U.S. PHYSICAL THERAPY, INC. 2003 STOCK INCENTIVE PLAN AND AN AWARD AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER OF SUCH SHARES AND U.S. PHYSICAL THERAPY, INC. A COPY OF THE PLAN AND THE AWARD AGREEMENT ARE ON FILE IN THE CORPORATE OFFICES OF U.S. PHYSICAL THERAPY, INC.**

Such legend shall not be removed from the certificate evidencing Restricted Shares until such time as the restrictions imposed by Section 2 hereof have lapsed.

(b) The certificate issued pursuant to this Section 4, together with the stock powers relating to the Restricted Shares evidenced by such certificate, shall be held by the Company. The Company shall issue to the Grantee a receipt evidencing the certificates held by it which are registered in the name of the Grantee.

**5. Tax Requirements.**

*Tax Withholding.* This grant of Restricted Shares is subject to and the Company shall have the power and the right to deduct or withhold from other amounts payable to Grantee from the Company, or require the Grantee to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan and this Agreement.

**6. Solicitation/Hiring Covenants**

As part of the consideration for the grant of Restricted Shares, the Grantee agrees that during his/her employment with the Company and for a period of two (2) years after the termination of such employment for any reason whatsoever, neither Grantee nor any of Grantee's affiliates will, directly or indirectly, solicit or recruit or attempt to solicit or recruit for employment, or employ or engage as a contractor, any person who was an employee or contractor of the Company (or any of its subsidiaries) at any time during the six months immediately preceding such solicitation or hiring.

**7. Miscellaneous.**

(a) *Certain Transfers Void.* Any purported Transfer of shares of Common Stock or Restricted Shares in breach of any provision of this Agreement shall be void and ineffectual, and shall not operate to Transfer any interest or title in the purported transferee.

(b) *No Fractional Shares.* All provisions of this Agreement concern whole shares of Common Stock. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

(c) *Not an Employment or Service Agreement.* This Agreement is not an employment agreement, and this Agreement shall not be, and no provision of this Agreement shall be construed or interpreted to create any right of Grantee to continue employment with or provide services to the Company or any of its Affiliates.

(d) *Notices.* Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at the address indicated beneath its signature on the execution page of this Agreement, and to Grantee at his/her address indicated on the Company's stock records, or at such other address and number as a party shall have previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

(e) *Amendment and Waiver.* This Agreement may be amended, modified or superseded only by written instrument executed by the Company and Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof, shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(f) *Governing Law and Severability.* This Agreement shall be governed by the internal laws, and not the laws of conflict, of the State of Nevada. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.

(g) *Successors and Assigns.* Subject to the limitations which this Agreement imposes upon transferability of shares of Common Stock, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and Grantee, and Grantee's permitted assigns and upon death, estate and beneficiaries thereof (whether by will or the laws of descent and distribution), executors, administrators, agents, legal and personal representatives.

(h) *Community Property.* Each spouse individually is bound by, and such spouse's interest, if any, in any Shares is subject to, the terms of this Agreement. Nothing in this Agreement shall create a community property interest where none otherwise exists.

(i) *Entire Agreement.* This Agreement together with the Plan supersede any and all other prior understandings and agreements, either oral or in writing, between the parties with respect to the subject matter hereof and constitute the sole and only agreements between the parties with respect to the said subject matter. All prior negotiations and agreements between the parties with respect to the subject matter hereof are merged into this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party or by anyone acting on behalf of any party, which are not embodied in this Agreement or the Plan and that any agreement, statement or promise that is not contained in this Agreement or the Plan shall not be valid or binding or of any force or effect.

(j) *Compliance with Other Laws and Regulations.* This Agreement, the grant of Restricted Shares and issuance of Common Stock shall be subject to all applicable federal and state laws, rules, regulations and applicable rules and regulations of any exchanges on which such securities are traded or listed, and Company rules or policies. Any determination in which connection by the Committee shall be final, binding and conclusive on the parties hereto and on any third parties, including any individual or entity.

(k) *Independent Legal and Tax Advice.* The Grantee has been advised and Grantee hereby acknowledges that he/she has been advised to obtain independent legal and tax advice regarding this Agreement, grant of the Restricted Shares and the disposition of such shares, including, without limitation, the election available under Section 83(b) of the Internal Revenue Code.

**8. Counterparts.** This Agreement may be executed in multiple original counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

**9. Grantee's Acknowledgments.** The Grantee acknowledges receipt of a copy of the Plan and represents that he/she is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all the terms and provisions of the Plan and this Agreement. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee or the Board, as appropriate, upon any questions arising under the Plan or this Agreement.



IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

**COMPANY:**

By:

\_\_\_\_\_  
Chris Reading

Title: Chief Executive Officer

Address: 1300 W Sam Houston Parkway South

Suite 300

Houston, Texas 77042

Telecopy No.: 713-297-6339

**GRANTEE:**

\_\_\_\_\_

Name	DBA	State of Formation
1 On 1 Physical Therapy, LLC		DE
2037953 Ontario, Inc.		Canada
Ability Health PT Management GP, LLC		TX
Ability Health Services and Rehabilitation, L.P.	Ability Rehabilitation SST Rehab	TX
Achieve Management GP, LLC		TX
Achieve Physical Therapy and Performance, Limited Partnership		TX
Action Therapy Centers, Limited Partnership	Action Physical Therapy Houston Hand Therapy PT Professionals	TX
Adams County Physical Therapy, Limited Partnership		TX
Advance Rehabilitation & Consulting, Limited Partnership		TX
Advance Rehabilitation Management GP, LLC		TX
Agape Physical Therapy & Sports Rehabilitation, Limited Partnership	Impact Sports Impact Sports PT	TX
Agape Physical Therapy Management GP, LLC		TX
Agility Spine & Sports Physical Therapy and Rehabilitation, Limited Partnership		TX
Agility Spine & Sports PT Management GP LLC		TX
ARC Iowa PT Plus, LLC		TX
ARC Physical Therapy Plus, Limited Partnership		TX
ARC PT Management GP, LLC		TX
ARCH Physical Therapy and Sports Medicine, Limited Partnership		TX
Arrow Physical Therapy, Limited Partnership	Broken Arrow Physical Therapy	TX
Arrowhead Physical Therapy, Limited Partnership	Elite Sports Medicine & Physical Therapy	TX
Ashland Physical Therapy, Limited Partnership		TX
Atlas Physical Therapy, Limited Partnership	Vertical Motion Physical Therapy	CO
Atlas PT Management GP, LLC		TX
Audubon Physical Therapy, Limited Partnership		TX
Barren Ridge Physical Therapy, Limited Partnership		TX
Bayside Management GP, LLC		TX
Bayside Physical Therapy & Sports Rehabilitation, Limited Partnership		TX
Beaufort Physical Therapy, Limited Partnership		TX
Bow Physical Therapy & Spine Center, Limited Partnership		TX
Brazos Valley Physical Therapy, Limited Partnership		TX
Brick Hand & Rehabilitative Services, Limited Partnership		TX
Briotix Health, Limited Partnership	InSite Health (6/25/2020 - Per Cyndi M. and Leon P. this dba is no longer used).	DE
Briotix Management GP, LLC		TX
BTE Workforce Solutions, LLC (formerly BTE Technologies, Inc.)		DE
C. Foster Physical Therapists, Limited Partnership		TX
C. Foster PT Management GP, LLC		TX
Cape Cod Hand Therapy, Limited Partnership	Cape Cod Hand & Upper Extremity Therapy	TX
Carbon County Therapy, LLC		WY
Carolina Physical Therapy and Sports Medicine, Limited Partnership		TX
Carolina PT Management GP, LLC		TX
Center for Physical Rehabilitation and Therapy, Limited Partnership		DE
Cleveland Physical Therapy, Ltd.		TX
Clinical Management Solutions, LLC	ProgressiveHealth Clinical Management Solutions	IN
Clinical Partnership Solutions, LLC	ProgressiveHealth Clinical Partnership Solutions	IN
Comprehensive Hand & Physical Therapy, Limited Partnership		TX
Coppell Spine & Sports Rehab, Limited Partnership	North Davis/Keller Physical Therapy Physical Therapy of Colleyville Physical Therapy of North Texas Physical Therapy of Corinth Trinity Sports & Physical Therapy Physical Therapy of Flower Mound Southlake Physical Therapy Physical Therapy of Trophy Club Heritage Trace Physical Therapy Therapy Partners of Frisco/Little Elm Therapy Partners of North Texas	TX
CPR Management GP, LLC		TX
Cross Creek Physical Therapy, Limited Partnership		TX
Crossroads Physical Therapy, Limited Partnership	Green Oaks Physical Therapy - Fort Worth Green Oaks Physical Therapy	TX
Crossroads Rehabilitation, Limited Partnership	Crossroads Physical Therapy	TX
Custom Physical Therapy, Limited Partnership	Custom Physical Therapy (Washoe County)	TX
Cutting Edge Physical Therapy, Limited Partnership		TX
Dearborn Physical Therapy, Ltd.	Advanced Physical Therapy	TX
Decatur Hand and Physical Therapy Specialists, Limited Partnership		TX
Dekalb Comprehensive Physical Therapy, Limited Partnership		TX
Denali Physical Therapy, Limited Partnership		TX
DHT Hand Therapy, Limited Partnership	Arizona Desert Hand Therapy Services Desert Hand and Physical Therapy	TX
DHT Management GP, LLC		TX
Dynamic Hand Therapy & Rehabilitation, Limited Partnership		TX
East Suburban Sports Medicine Center, LP		TX
Eastgate Physical Therapy, Limited Partnership	Summit Physical Therapy	TX
Edge Physical Therapy, Limited Partnership	River's Edge Physical Therapy	TX
Elite PT Management GP, LLC		TX
Elite Spine and Sports Physical Therapy, LP		TX
Enid Therapy Center, Limited Partnership	Enid Physical Therapy	TX
ESSMC Management GP, LLC		TX
Everett Management, LLC		WA
Evergreen Physical Therapy, Limited Partnership		TX
Excel Orthopedic Physical Therapy, Limited Partnership	Excel Physical Therapy	TX
Excel Orthopedic PT Management GP, LLC		TX
Excel Physical Therapy, Limited Partnership		TX
Excel PT Texas GP, LLC		TX
Fit2WRK, Inc.		TX
Five Rivers Therapy Services, Limited Partnership	Peak Physical Therapy	TX
Flannery Physical Therapy, Limited Partnership	Physical Therapy Plus	TX
Four Pines Physical Therapy, Limited Partnership		TX
Four Pines PT Management GP, LLC		TX
Fredericksburg Physical Therapy, Limited Partnership		TX
Fremont PT Management GP, LLC		TX

Fremont Therapy Group, Limited Partnership		TX
Frisco Physical Therapy, Limited Partnership	PT of Prosper	TX
Gahanna Physical Therapy, Limited Partnership	Cornerstone Physical Therapy	TX
Genesee Valley Physical Therapy, Limited Partnership		TX
Green Oaks Physical Therapy, Limited Partnership		TX
Hamilton Physical Therapy Services, LP		TX
Hand and Physical Therapy of Wyoming, Limited Partnership		TX
Hands-On Sports Medicine, Limited Partnership	Metro Spine and Sports Rehabilitation	TX
Hanoun Medical, Inc.	BTE Workforce Solutions Briotix Health	Ontario, Canada
Harbor Physical Therapy, Limited Partnership		TX
HH Rehab Associates, Inc.	Genesee Valley Physical Therapy Theramax Physical Therapy	MI
High Plains Physical Therapy, Limited Partnership		TX
Highlands Physical Therapy & Sports Medicine, Limited Partnership		TX
Horizon Rehabilitation and Sports Medicine, Limited Partnership		TX
Horizon Rehabilitation PT Management GP, LLC		TX
Houston On Demand Physical Therapy, LLC		TX
HPTS Management GP, LLC		TX
Indy ProCare Physical Therapy, Limited Partnership		TX
InSite Health Limited Partnership		DE
Integrated Rehab PT Management GP, LLC		TX
Integrated Rehabilitation Services, Limited Partnership		TX
Integrius, LLC		GA
Intermountain Physical Therapy, Limited Partnership		TX
Jackson Clinics PT Management GP, LLC		TX
Jackson Clinics, Limited Partnership		TX
Jaco Kapolei Management GP, LLC		TX
Jaco Mililani Management GP LLC		TX
Jaco Rehab Honolulu Management GP, LLC		TX
Jaco Rehab Honolulu, Limited Partnership		TX
Jaco Rehab Kapolei, Limited Partnership		TX
Jaco Rehab Mililani, Limited Partnership		TX
Jaco Rehab Waikale, Limited Partnership		TX
Jaco Waikale Management GP LLC		TX
Joan Ostermeier Physical Therapy, Limited Partnership	Sport & Spine Clinic of Wittenberg	TX
Julie Emond Physical Therapy, Limited Partnership	Maple Valley Physical Therapy	TX
Kelly Lynch Physical Therapy, Limited Partnership	Sport & Spine Clinic of Watertown	TX
Kennebec Physical Therapy, LLC		TX
Kingwood Physical Therapy, Ltd.	Spring-Klein Physical Therapy West Woodlands Physical Therapy Lake Conroe Sports Medicine and Rehabilitation Cypress Oaks Physical Therapy Star Therapy Services of Fairfield; Grand Oaks Sports Medicine and Rehabilitation Star Therapy Services of Lakewood	TX
Lake Houston Physical Therapy, Limited Partnership	Northern Oaks Orthopedic & Sports PT	TX
Leader Physical Therapy, Limited Partnership	Memphis Physical Therapy	TX
Life Fitness Physical Therapy, LLC	In Balance Physical Therapy Herbst Physical Therapy	MD
Life Strides Physical Therapy and Rehabilitation, Limited Partnership		TX
LiveWell Physical Therapy, Limited Partnership		TX
Madden and Gilbert Physical Therapy, LP		TX
Madden and Gilbert PT GP, LLC		TX
Madison Physical Therapy, Limited Partnership		TX
Madison Spine, Limited Partnership		TX
Max Motion Physical Therapy, Limited Partnership		TX
Merrill Physical Therapy, Limited Partnership		TX
Metro Allstar LLC		NY
Metro Ardsley LLC		NY
Metro Bayshore LLC		NY
Metro Bethpage, LLC		NY
Metro Buchanan LLC		NY
Metro Center Moriches LLC		NY
Metro Commack LLC		NY
Metro Court ST LLC		NY
Metro Croton LLC		NY
Metro East Northport LLC		NY
Metro Forest Ave. LLC		NY
Metro Franklin Square, LLC		NY
Metro Great Neck South LLC		NY
Metro Greenvale LLC		NY
Metro Hampton Bays LLC		NY
Metro Hauppauge LLC		NY
Metro Hewlett LLC		NY
Metro Holtsville LLC		NY
Metro Huntington LLC		NY
Metro Jericho 314 LLC		NY
Metro Long Beach House LLC		NY
Metro Mineola PT LLC		NY
Metro Mohegan Lake LLC		NY
Metro Mystic LLC		CT
Metro Oakdale LLC		NY
Metro Oceanside LLC		NY
Metro OCR Basement LLC		NY
Metro P.T. Selden LLC		NY
Metro Plainview LLC		NY
Metro Port Wash LLC		NY
Metro PT Amityville LLC		NY
Metro PT Patchogue LLC		NY
Metro PT Smithtown LLC		NY
Metro Riverhead LLC		NY
Metro Rocky Point LLC		NY
Metro Ronkonkoma LLC		NY
Metro RVC, LLC		NY
Metro Setauket Old Town Road LLC		NY
Metro Setauket Tech LLC		NY
Metro Wading River LLC		NY
Metro West Babylon LLC		NY

Metro Westerly LLC		RI
Mishock Physical Therapy, Limited Partnership	Xcelerate Physical Therapy	TX
Mishock PT Management GP, LLC		TX
Mission Rehabilitation and Sports Medicine, Limited Partnership	RYKE Rehabilitation	TX
Mobile Spine and Rehabilitation, Limited Partnership		TX
Momentum Physical & Sports Rehabilitation, L.P.	Momentum Physical Therapy & Sports Rehab; Momentum On-Demand; Momentum Mobile PT; Momentum Physical Therapy	TX
Mountain View Physical Therapy, Limited Partnership	Mountain View Physical and Hand Therapy	TX
MSO Metro, LLC		NY
MSPT Management GP, LLC		TX
National Rehab Delaware, Inc.		DE
National Rehab GP, Inc.		TX
National Rehab Management GP, Inc.		TX
New Horizons Physical Therapy, Limited Partnership		TX
Norman Physical Therapy, Limited Partnership		TX
North Jersey Game On Physical Therapy, Limited Partnership	Madison Spine & Physical Therapy	TX
North Lake Physical Therapy and Rehab, Limited Partnership		TX
North Lake PT Management GP, LLC		TX
Northern Edge Physical Therapy, Limited Partnership		DE
Northern Edge PT Management GP, LLC		TX
Northern Lights Physical Therapy, Limited Partnership		TX
Northwest PT Management GP, LLC		TX
Northwoods Physical Therapy, Limited Partnership		TX
One to One Physical Therapy, Limited Partnership		DE
One to One PT Management GP LLC		TX
OPR Management Services, Inc.		TX
Oregon Spine & Physical Therapy, Limited Partnership	Peak State Physical Therapy	TX
OSR Physical Therapy Management GP LLC		TX
OSR Physical Therapy, Limited Partnership		TX
P4 Physical Therapy, Limited Partnership	Southern Rehab & Sports Medicine	TX
Peak Performance Physical Therapy, Limited Partnership		TX
Peak Performance PT Management GP, LLC		TX
Pelican State Physical Therapy, Limited Partnership	Audubon Physical Therapy	TX
Penns Wood Physical Therapy, Limited Partnership		TX
PerformancePro Sports Medicine and Rehabilitation, Limited Partnership		TX
Phoenix Physical Therapy, Limited Partnership		TX
Physical Restoration and Sports Medicine, Limited Partnership		TX
Physical Therapy and Spine Institute, Limited Partnership		TX
Physical Therapy Northwest, Limited Partnership		TX
Physical Therapy Solutions, Limited Partnership		DE
Pinnacle Therapy Services, LLC		DE
Pioneer Physical Therapy, Limited Partnership		TX
Plymouth Physical Therapy Specialists, Limited Partnership		TX
Port City Physical Therapy, Limited Partnership		TX
Precision Physical Therapy, Limited Partnership		TX
Premier Management GP, LLC		DE
Premier Physical Therapy and Sports Performance, Limited Partnership		DE
ProActive Physical Therapy, Limited Partnership		TX
ProCare Physical Therapy Management GP, LLC		TX
ProCare PT, Limited Partnership		TX
Progressive Physical Therapy Clinic, Ltd.	Progressive Hand and Physical Therapy	TX
ProgressiveHealth Companies, LLC		DE
ProgressiveHealth HealthSpot, LLC		IN
ProgressiveHealth Occ Health, LLC		IN
ProgressiveHealth Rehabilitation Solutions, Inc.		GA
ProgressiveHealth, LLC		IN
PTS GP Management, LLC		TX
Quad City Physical Therapy & Spine, Limited Partnership		TX
R. Clair Physical Therapy, Limited Partnership	Clair Physical Therapy	TX
RACVA GP, LLC		TX
Radtke Physical Therapy, Limited Partnership		TX
Reaction Physical Therapy, LLC		DE
Rebound Physical Therapy, Limited Partnership		TX
Rebound PT Management GP, LLC		TX
Red River Valley Physical Therapy, Limited Partnership		TX
Redmond Ridge Management, LLC		WA
Regional Physical Therapy Center, Limited Partnership		TX
Rehab Partners #1, Inc.		TX
Rehab Partners #2, Inc.		TX
Rehab Partners #3, Inc.		TX
Rehab Partners #4, Inc.		TX
Rehab Partners #5, Inc.		TX
Rehab Partners #6, Inc.		TX
Rehab Partners Acquisition #1, Inc.		TX
Rehabilitation Associates of Central Virginia, Limited Partnership	Rehab Associates of Central Virginia (Campbell County)	TX
Rice Rehabilitation Associates, Limited Partnership		TX
Riverview Physical Therapy, Limited Partnership (formerly Yarmouth Physical Therapy)		TX
Roepke Physical Therapy, Limited Partnership	Elite Hand & Upper Extremity Clinic	TX
RYKE Management GP, LLC		TX
Saginaw Valley Sport and Spine, Limited Partnership	Sport & Spine Physical Therapy and Rehab; Evergreen PT	TX
Saline Physical Therapy of Michigan, Ltd.	Physical Therapy in Motion	TX
San Antonio On Demand Physical Therapy, LLC		TX
SC&AW, Limited Partnership		TX
Seacoast Physical Therapy, Limited Partnership		TX
Signature Physical Therapy, Limited Partnership		TX
Snohomish Management, LLC		WA
South Tulsa Physical Therapy, Limited Partnership	Physical Therapy of Jenks South Tulsa Physical Therapy Jenks Physical Therapy	TX
Spectrum Physical Therapy, Limited Partnership	Southshore Physical Therapy	TX
Sport & Spine Clinic of Fort Atkinson, Limited Partnership	Sport & Spine Clinic of Sauk City Sport & Spine Clinic of Madison Sport & Spine Clinic of Jefferson Sport & Spine Edgerton	TX
Sport & Spine Clinic, L.P.	Sport & Spine Sport & Spine Clinic of Edgar Sport & Spine Minocqua Sport & Spine - Rib Mountain	DE
SportsCare and Armworks Management GP, LLC		TX
Spracklen Physical Therapy, Limited Partnership		TX

STAR Performance and Concierge, LLC	Enhanced Physical Therapy (f/k/a Enhanced Physiotherapy and Performance, LLC)	TX
STAR Physical Therapy, LP		TX
STAR PT Management GP, LLC		TX
Star Therapy Centers, Limited Partnership	Star Therapy Services of Copperfield Star Therapy Services of Cy-Fair Star Therapy Services of Fulshear Star Therapy Services of Katy Star Therapy Services of Magnolia Star Therapy Services of Spring Cypress Star Therapy Services of Cinco Ranch	TX
Summit Hand Management GP, LLC		TX
Summit Hand Therapy, Limited Partnership		DE
Summit Physical Therapy, Limited Partnership	Brookeville Physical Therapy	TX
Summit PT Management GP, LLC		TX
Texstar Physical Therapy, Limited Partnership		TX
The Hale Hand Center, Limited Partnership		TX
The U.S. Physical Therapy Foundation		TX
Therapyworks Physical Therapy, LLC	Therapyworks	DE
Thibodeau Physical Therapy, Limited Partnership		TX
Thomas Hand and Rehabilitation Specialists, Limited Partnership	CoreFit Rehabilitation	TX
Thunder Physical Therapy, Limited Partnership		TX
TJC Concierge, LLC		TX
TX - P4 PT Management GP, LLC		TX
U.S. Physical Therapy, Inc.		NV
U.S. Physical Therapy, Inc. PAC		TX
U.S. Physical Therapy, Ltd.		TX
U.S. PT - Delaware, Inc.		DE
U.S. PT Alliance Rehabilitation Services, Inc.	Alliance Rehabilitation Services	TX
U.S. PT Management, Ltd.		TX
U.S. PT Michigan #1, Limited Partnership	Genesee Valley Physical Therapy	TX
U.S. PT Michigan #2, Limited Partnership	Physical Therapy Solutions	TX
U.S. PT Solutions, Inc.	Physical Therapy Solutions	TX
U.S. PT Texas, Inc.	Kinetix Physical Therapy	TX
U.S. PT Therapy Services, Inc. (formerly U.S. Surgical Partners, Inc.)	Capstone Physical Therapy Carolina Hand and Wellness Center Hand Therapy of North Texas - Frisco Hand Therapy of North Texas - Coppell Innovative Physical Therapy Lake City Hand Therapy Life Sport Physical Therapy Life Sport Physical Therapy - Glen Ellyn Metro Hand Rehabilitation Missouri City Physical Therapy Mountain View Physical Therapy of Medford Mountain View Physical Therapy of Talent Northern Illinois Therapy Services Propel Physical Therapy ReAction Physical Therapy Therapeutic Concepts Tulsa Hand Therapy Waco Sports Medicine and Rehabilitation	DE
U.S. PT Turnkey Services, Inc. (formerly Surgical Management GP, Inc.)	The Hand & Orthopedic Rehab Clinic	TX
U.S. Therapy, Inc.	First Choice Physical Therapy	TX
University Physical Therapy, Limited Partnership		TX
USPT Physical Therapy, Limited Partnership	Body Basics Physical Therapy	TX
Victory Physical Therapy, Limited Partnership		TX
West Texas Physical Therapy, Limited Partnership		TX
Wright Physical Therapy, Limited Partnership		TX
Wright PT Management GP, LLC		TX
Wyoming Hand and PT Management GP, LLC		TX
	The Facilities Group, Inc.	

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated March 3, 2025, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of U.S. Physical Therapy, Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said reports in the Registration Statements of U.S. Physical Therapy, Inc. on Form S-3 (File No. 333-272147) and Forms S-8 (File No. 333-30071, 333-64159, 333-67678, 333-67680, 333-82932, 333-103057, 333-113592, 333-116230, 333-153051, 333-185381, 333-200832, 333-230368, and 333-267090).

/s/ GRANT THORNTON LLP

Houston, Texas  
March 3, 2025

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## CERTIFICATION

I, Christopher J. Reading, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Physical Therapy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2025

/s/ Christopher J. Reading

Christopher J. Reading  
President and Chief Executive Officer  
(Principal Executive Officer)

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## CERTIFICATION

I, Carey Hendrickson, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Physical Therapy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2025

/s/ Carey Hendrickson

Carey Hendrickson  
Chief Financial Officer  
(Principal Financial and Accounting Officer)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of U.S. Physical Therapy, Inc. (the “registrant”) on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “report”), we, Christopher J. Reading, and Carey Hendrickson, Chief Executive Officer and Chief Financial Officer respectively, of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 3, 2025

/s/ Christopher J. Reading

Christopher J. Reading  
Principal Executive Officer

/s/ Carey Hendrickson

Carey Hendrickson  
Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 has been provided to U. S. Physical Therapy, Inc. and will be retained by U. S. Physical Therapy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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